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UNITED STATES STEEL CORPORATION

HEARINGS

BEFORE THE

COMMITTEE ON INVESTIGATION OF UNITED STATES STEEL CORPORATION

HOUSE OF REPRESENTATIVES

(IN EIGHT VOLUMES)

VOL. 4

HEARING NOS. 36-49

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WASHINGTON
GOVERNMENT PRINTING OFFICE
1912

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No. 36

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HEARINGS

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HOUSE OF REPRESENTATIVES

FRIDAY, JANUARY 12, 1912.

WASHINGTON
GOVERNMENT PRINTING OFFICE
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UNITED STATES STEEL CORPORATION.

SPECIAL COMMITTEE ON THE INVESTIGATION
OF THE UNITED STATES STEEL CORPORATION,
HOUSE OF REPRESENTATIVES,
Friday, January 12, 1912.

The committee this day met, Hon. Augustus O. Stanley (chairman) presiding.

The CHAIRMAN. Mr. Young desires to submit certain statements for the record.

Mr. YOUNG. Mr. Chairman, I wish to submit, for the purpose of having it incorporated in the record certain statistical information taken mostly from the Statistical Abstract of the United States, but a portion of it from the report of the Iron & Steel Association.

The CHAIRMAN. If there is no objection, this statistical information will be inserted as an appendix to this hearing.

STATEMENT OF MR. ANDREW CARNEGIE—Resumed.

The CHAIRMAN. When the committee have concluded with Mr. Carnegie, I will ask him a few questions, and prefer, if it suits the convenience of the committee, that each member who cares to do so will conclude with the witness before the chairman propounds further questions.

Mr. REED. Mr. Carnegie was asked yesterday for a list of his partners shortly before the Steel Corporation was formed.

I have here a list of the shareholders of the Carnegie Steel Co. (Ltd.), on April 24, 1899. I think the shareholders in the limited partnership were what was meant by that inquiry. With the permission of the committee, that can be put in the record as Mr. Carnegie's answer to that question.

The CHAIRMAN. Yes.

The list referred to is as follows:

LIST OF SHAREHOLDERS, CARNEGIE STEEL CO. (LTD.), APRIL 24, 1899.

Andrew Carnegie.
Henry Phipps.
H. C. Frick.
George Lauder.
C. M. Schwab.
W. H. Singer.
H. M. Curry.
L. C. Phipps.
John C. Fleming.
J. Ogden Hoffman.
Millard Hunsiker.
George E. McCagne.
H. P. Bope.
W. E. Corey.

Jos. E. Schwab.
A. R. Peacock.
F. T. F. Lovejoy.
Thomas Morrison.
George H. Wrightman.
D. M. Cleinson.
James Gayley.
A. M. Moreland.
Charles L. Taylor.
A. R. Whitney.
W. W. Blackburn.
L. T. Brown.
D. G. Kerr.
H. J. Lindsay.
E. F. Wood.
H. E. Tener, jr.
George Megrew.
G. D. Packer.
W. B. Dickson.
A. C. Case.
Charles W. Baker.

Mr. YOUNG. Yesterday, Mr. Carnegie, you were inquired of by Mr. McGillicuddy as to whether you could give any reason for the great increase in the profits of the Carnegie Co. from 1897 to 1899 and 1900 except the Dingley tariff?

Last evening I examined the Statistical Abstract of the United States as to products of pig iron in this country, which lies at the basis of all steel manufacture, and I found that in the year 1890 our production was nine million two hundred and odd thousand tons.

Later the panic came, and in 1896 the production had so far recovered that it amounted to eight million twelve hundred thousand tons.

Mr. CARNEGIE. That is less.

Mr. YOUNG. That is 600,000 tons less than it was six years before. But in 1899, three years later, the production was over 13,300,000, and in 1900, the year the Carnegie Co. made a profit of $40,000,000, it was 13,759,000.

I ask you if, in your judgment, that tremendous increase in business from 1896 to 1899 and 1900 accounts to any extent for the marvelously increased profits of the Carnegie Co.?

Mr. CARNEGIE. The one is dependent upon the other, evidently.

Gentlemen, this is all new to me. It is obvious, of course.

Mr. YOUNG. Those figures are taken from the Statistical Abstract of the United States, and I suppose they are correct.

Mr. CARNEGIE. I think no man can have any opinion upon that but one. It is the basis of the whole increase of profits.

Mr. YOUNG. It would indicate, would it not, that in 1899 and 1900 the business was on the top of the wave, while in 1896 and 1897 it was in the bottom of the trough?

Mr. CARNEGIE. Quite so. You remember, perhaps, what I said yesterday: When it is down and the boom comes there is nothing so slow to be affected as steel, because it takes so long to increase the product. New mines have to be opened, new blast furnaces have to be built, and new combinations made; and, of course, then we make a great deal of money.

Mr. YOUNG. That is all.

Mr. STERLING. On the same subject, Mr. Carnegie, have you any information as to what the imports of manufactured steel were for several years prior to the passage of the Dingley law in 1897?

Mr. CARNEGIE. No, sir; I have not.

Mr. STERLING. You do know that they were very small, do you not?

Mr. CARNEGIE. Oh, Judge, I do not wish to trust my memory when these things are all of record.

My mind has not been on the steel business for 11 years. These are all matters of record. If you could give me the figures, as my

friend just did, and ask me a question, I would be able to form an opinion, perhaps.

Mr. STERLING. Do you know whether or not the imports of material decreased after the passage of the Dingley law, or did the Dingley law have any effect upon the import of steel into this country?

Mr. CARNEGIE. I think I answered yesterday that the question of the Dingley tariff could not influence the steel situation; not greatly.

Mr. STERLING. I take it, then, that in your opinion the great increase of business and profits that followed 1897 was due to the fact that the steel business participated in the general increased prosperity of the country?

Mr. CARNEGIE. Certainly.

Mr. STERLING. Just as the farmers' prosperity increased, and the business of the country generally increased, on the revival of business, after the election of President McKinley?

Mr. CARNEGIE. Yes, sir. And we had arrived at a time when the tariff was of no vital importance one way or the other, so far as steel was concerned.

Mr. STERLING. I understand. If the Dingley tariff did affect the prosperity of the steel business, it was not directly, but indirectly, due to the increased prosperity, if any, that came from the passage of the protective tariff.

Mr. CARNEGIE. I am certainly of that opinion.

Mr. STERLING. That is all.

The CHAIRMAN. Do you mean that you are of the opinion that the Dingley tariff law produced any prosperity to any business?

Mr. CARNEGIE. I do not think so. I think tariffs, Mr. Chairman, on steel, at that time, had a very small bearing upon the value.

The CHAIRMAN. Do you think that the Dingley tariff had anything to do with the prosperity of any business, to any great extent?

Mr. CARNEGIE. I do not know of any; but remember, gentlemen, I do not affect to remember what the Dingley tariff did. I have no figures in my head, and I must give you a general opinion that, as far as steel was concerned, a tariff one way or the other could make very little difference.

Mr. BARTLETT. One of those reasons is that we make steel so much cheaper here than they do in the foreign countries that compete? Is that true?

Mr. CARNEGIE. You say to me "much cheaper"?

Mr. BARTLETT. Well, "cheaper," I will put it.

Mr. CARNEGIE. Yes; please.

Mr. BARTLETT. I will leave out the the word "much" and just say "cheaper."

Mr. CARNEGIE. I think there is a little concern in Germany that probably makes steel the cheapest of any in the world, but it has a limited deposit of ore, and it can only support two little blast furnaces. They could not afford to build more, because the ore would be exhausted.

Mr. BARTLETT. Without the exception, without the small exception as to the small mill of which you have spoken, it is a fact that the manufacturers of iron and steel in this country make it cheaper than they do abroad, is it not?

Mr. CARNEGIE. In my opinion they do.

I have been out of the business for 11 years. I have not looked at a figure about steel in that time.

I read the newspapers, and I form my opinions from what I hear and what I read. My honest opinion is that this country can make steel as cheap, and I really believe that it can make it a shade cheaper, than any foreign country. At all events, I am prepared to say that we can make it as cheap here as it can be made in any country in the world.

Mr. BARTLETT. Then there would be no necessity for a tariff in order to equalize the cost of production in this country and abroad, so as to protect the manufacturers of iron and steel in this country?

Mr. CARNEGIE. Not the slightest, in my opinion.

Mr. BARTLETT. Of course that is your opinion. That was the testimony given by one of the gentlemen in New York—Mr. Schwab, I think.

Mr. CARNEGIE. Mr. Schwab?

Mr. BARTLETT. I think so. I do not know who it was.

Mr. CARNEGIE. In my opinion you legislators should not bother yourselves about steel. It is no infant industry. It is a giant. America leads the world. America makes quite as much steel as the whole of the world; and when I began, gentleman, it did not make a ton. I have seen the whole thing. We were in at the beginning.

Mr. BARTLETT. The United States Steel Corporation is the greatest industrial giant in the world, is it not?

Mr. CARNEGIE. In steel; yes, sir.

Mr. BARTLETT. I use the words "industrial organization"; it is the greatest industrial giant in the world, is it not?

Mr. CARNEGIE. Industrial? Oh, yes, sir—manufacturing, you mean?

Mr. BARTLETT. That is what I mean.

Mr. CARNEGIE. Yes; a railway system, the Pennsylvania Railroad, for instance, is larger, probably.

Mr. BARTLETT. Do you think so?

Mr. CARNEGIE. Probably.

Mr. BARTLETT. Mr. Carnegie, I did not have the pleasure of hearing your testimony yesterday. When did you arrive at the conclusion which you have stated, I believe, that the Government should form a commission, like the Interstate Commerce Commission, to take charge of these great business concerns and to regulate them, even to the extent of regulating prices?

Mr. CARNEGIE. Judge, it was a slow process; just as the day a man is converted to Christianity is the result of a slow process. I could not fix a date.

Mr. BARTLETT. I do not want the exact date, but I want to know whether your decision about that was not accelerated by the unexpected decision of the Supreme Court in the trust cases.

Mr. CARNEGIE. Not the slightest. The decision in the trust cases, in my opinion, has not yet had its full effect.

Mr. BARTLETT. I mean upon your opinion.

Mr. CARNEGIE. I think not; no. Let me see.

Mr. BARTLETT. Let me see if I can refresh your recollection. You know when Judge Gary was before this committee he rather startled

me, and, I think, the committee, in making that suggestion; and you are quoted in the newspapers the next morning as agreeing with him.

Mr. CARNEGIE. Oh, but I had made the suggestion before that. A gentleman wrote that I had mentioned that two years before that. I was a convert to that before Judge Gary—at least before he expressed it. I congratulated the judge upon having reached the conclusion that he had announced.

Mr. BARTLETT. You had even arrived at the conclusion that the Government should fix the prices?

Mr. CARNEGIE. I do not think it is necessary that they should fix the prices. I think that, to begin with, you should have a law and allow the commission to fix a maximum price. If the steel people want to sell below that price, God speed that. I would not prevent that. I would have a maximum price that would afford them a fair return upon their capital.

It would be better for the steel industry—better for the people—that a manufacturing concern should have a fair return upon its capital, so that the people would invest in it and they would have means. It is a bad thing for the country when a manufacturing institution making steel or any articles of general necessity—a very bad thing for the country—that capital should not have a fair reward.

Mr. BARTLETT. Is it not a bad thing that the people should be required to pay excessive prices for what capital manufactures?

Mr. CARNEGIE. But, of course, there could be prices for manufactured articles that would frighten investors, and they would not keep their money in steel; and therefore the works would be ineffective; you could not make enlargements and improvements.

The great point is to enable steel manufacturers, or any other manufacturers, to make their products under the most favorable conditions and at the lowest price; and in order to do that you need capital.

Mr. BARTLETT. Leaving your opinion out, expressed, as you say, two years ago or more, in regard to the matter, is it not a conclusion that you are justified in drawing that the great industrial organizations and business concerns doing business of an interstate character, are simply seeking the control by the Government of their businesses as a refuge, when they find out that they cannot form these combinations without violating the law?

Mr. CARNEGIE. I wish I could get that point. This is a bad room for hearing. Perhaps if I would sit nearer to you I could understand your questions better.

The CHAIRMAN. We would be delighted to have you do that, Mr. Carnegie; but it is necessary to have the reporter between you and the committee, or he will not be able accurately to catch what you say.

Mr. CARNEGIE. I am very sorry, Judge. I want to get your point.

Mr. BARTLETT. Is it not a fact——

Mr. CARNEGIE. I do not like the form of your question. You say, "Is it not a fact?"

Mr. BARTLETT. Is it not your opinion? I will try to meet your objections to the word "fact."

Mr. CARNEGIE. No. The inquiry you make is put in the form, "Is it not a fact?" You are giving me the impression that you have

made up your mind when you say, "Is it not a fact?" Make the inquiry in a way that does not indicate a conclusion one way or the other.

Mr. BARTLETT. Is it not your opinion, then?

Mr. CARNEGIE. "Is it not?" There is another objection. Is it your opinion? [Laughter.]

Mr. BARTLETT. Is it or is it not your opinion? I will put it either way.

Mr. CARNEGIE. Do not try to lead me on. I do not like to be led. I want to speak my own sentiments.

Mr. BARTLETT. Well, all right. I will change the form of my question, then, so as to meet your view.

Mr. CARNEGIE. Thank you. Anything I can do in return I shall be delighted to do. [Laughter.]

Mr. BARTLETT. You need not feel under any obligations, Mr. Carnegie.

What is your opinion?

Mr. CARNEGIE. Now, I see you have got the right thing. What is my opinion? That I can give you.

Mr. BARTLETT. What is your opinion as to the reason why the people who control these great industrial organizations have come to the conclusion that the Government should take control of their businesses and regulate their affairs and prices?

Mr. CARNEGIE. By reason of their experience. They have arrived at the conclusion that I had arrived at before, that the people of this country will never submit to combinations without regulation.

Mr. BARTLETT. Very well. That answers my question satisfactorily.

Mr. CARNEGIE. I am delighted, Judge. You and I agree there.

Mr. BARTLETT. Then, is it not your opinion that it is the effort of the combinations to escape from the law that prevents the combination and the control by a monopoly?

Mr. CARNEGIE. Yes; not to escape from the law as it is now, but that you gentlemen should sit down and you should agree upon a law that will be so plain and simple that everybody will understand it, and, as I believe honestly, the manufacturers of steel to-day, my successors, are one and all most anxious to get a law about which there will be no dispute, which shall be so clear that a commission will call their attention to it and visit their establishments and look at their books and everything they do. Then I do not think it would be so much the duty of the manufacturers to keep that commission informed as it would be the duty of the commission to inform itself. Let disinterested parties from the commission visit their establishments and say, "Show me your books." "Explain this." "Explain that."

And then the representative of the commission reports to his associates on the commission, and the decision would be made, based upon that information.

Mr. BARTLETT. The information to be given to the commission, you say?

Mr. CARNEGIE. The information to be given to the agent of the court or commission that I assume you are going to establish.

Mr. BARTLETT. That is a pretty broad assumption.

Mr. CARNEGIE. I have talked to a great many manufacturers, and they are reaching that conclusion, and I believe they will one and all cooperate honestly with you in the matter.

Mr. BARTLETT. Has it not been the view heretofore, or prior to the decision of the Supreme Court, I will not say of yourself, but of many and most of the leading men who control these business concerns, that Congress did not have the right to interfere with their business in any way?

Mr. CARNEGIE. I do not think so. It is inconceivable, I think, that any true American would doubt the right of Congress to do anything.

We are law-abiding citizens. We have a voice in appointing our rulers in Congress, and they are only the servants of the people. "Triumphant democracy" means that the masses of votes shall control.

Mr. BARTLETT. Yes. Then you do not think they have resisted or taken the position that Congress did not have the power to interfere with their businesses in accordance with the enactment in the Sherman law.

Mr. CARNEGIE. My dear Judge, if anybody thought that Congress had not the power, I can just smile. Why, it is absurd. But, mind you, men busy in their business, with their minds on it, have not been thinking of these other things. It is just a question of profit in steel. They are not thinking of these things.

Mr. BARTLETT. I will ask you another question, Mr. Carnegie: What is your idea as to what these gentlemen who control these corporations would have done but for the decision of the Supreme Court of the United States, relative to now seeking to have their business controlled by the United States?

Mr. CARNEGIE. They would have done as they had been doing.

Mr. BARTLETT. Exactly.

Mr. CARNEGIE. I say I infer that. I never asked any of them, because that is a hypothetical question—"if."

Mr. BARTLETT. Not "if." I asked your opinion.

Mr. CARNEGIE. I have given it.

Mr. BARTLETT. That is satisfactory.

Then it was not the fact that they did monopolize or restrain trade that they were concerned about, or that they charged the people greater prices than the people thought they ought to be charged, that they were concerned about?

Mr. CARNEGIE. No; I think that as long as they did not break the law they were in business to make money, and if they could get $50 a ton for steel rails, and the purchaser was willing to pay it——

Mr. BARTLETT. Or had to pay it.

Mr. CARNEGIE. Had to pay it? That is the same thing. If he has to pay it, he has to be willing to pay it.

Mr. BARTLETT. No. Very often you have to pay a price that you are not willing to pay, but have to pay.

Mr. CARNEGIE. That you have to pay? The will does not count, then?

Mr. BARTLETT. That is the effect of monopoly and the combination.

Mr. CARNEGIE. Quite; that is the reason the American people will not stand this, in my opinion.

Mr. BARTLETT. Exactly.

Mr. CARNEGIE. In Judge Gary I find a great man, open to the truth, with wide views. I do not think he is a small, narrow man. by any means——

Mr. BARTLETT. Neither do I.

Mr. CARNEGIE. You know, Judge, he has been a judge, hasn't he? [Laughter.]

Mr. BARTLETT. I do not know.

Mr. REED. Yes.

Mr. CARNEGIE. He comes to see me now and then, and I have talked over this with him. I was ahead of him in reaching this conclusion, and I have talked with him often about it.

Mr. BARTLETT. Is it your opinion that it takes the strong hand of the law to prevent men engaged in these big businesses from charging excessive prices?

Mr. CARNEGIE. Yes, sir. I think that as long as there is no law against it they will endeavor to make as much profit for their stockholders as they can.

Mr. BARTLETT. Is it not your opinion, Mr. Carnegie, that there is a moral law involved in having a monopoly and charging excessive prices?

Mr. CARNEGIE. No, sir. I think if you allow a monopoly you deserve to be charged high prices. [Laughter.] It is your own fault.

Mr. BARTLETT. Is it your opinion that the men who engage in the monopoly and the combination ought not to have a conscience?

Mr. CARNEGIE. If there be no law——

Mr. BARTLETT (interposing). Statute law, you mean?

Mr. CARNEGIE. There, Judge, you come into another atmosphere. I do not know what the statute law is.

Mr. BARTLETT. You do not think, then, that there is any moral obligation on the part of men engaged in the manufacture and selling of products not to charge extortionate prices?

Mr. CARNEGIE. On the contrary, I think that when a man is appointed to run a business and has the interests of his shareholders at stake, it is his business to get the best return he can from the property he is managing; always provided he breaks no law.

Mr. BARTLETT. Provided he breaks no public law?

Mr. CARNEGIE. Yes.

Mr. BARTLETT. No statute law?

Mr. CARNEGIE. Law, to me, comprehends everything. I do not know what statute law is. I do not know the difference between the statute law and the law of the Sherman Act.

Mr. BARTLETT. That is statute law.

Mr. CARNEGIE. Is that, also?

Mr. BARTLETT. Yes; it is statute law.

Is it your opinion that there is no violation of the moral law or ethical law to form a monopoly in business?

Mr. CARNEGIE. I think, Judge, that you can not trust human nature as long as the man believes that he is living within the laws of his country.

Mr. BARTLETT. Then, if there was no law against larceny, do you think any man would be authorized to take from his fellow man by force what belonged to him?

Mr. CARNEGIE. I think if there were no law against larceny, there would be so many larcenies committed that you would be forced to make a law against it. [Laughter.]

Mr. BARTLETT. I think so, too. I think that is the reason for the Sherman law; that there was a recognized effort on the part of the men engaged in great businesses to improperly take from the public excessive prices for all their products and to monopolize and control the trade.

Mr. CARNEGIE. Well, Judge, you and I have arrived at the same conclusion.

Mr. BARTLETT. Yes.

Mr. CARNEGIE. That there would be more larcenies if there were no law to prevent them. Therefore there must be a law.

Mr. BARTLETT. And there would be no limit to the extent to which trade and commerce would go in the way of extortionate prices or combinations or pools but for the restraining hand of the law?

Mr. CARNEGIE. You say there would be no limit?

Mr. BARTLETT. Yes.

Mr. CARNEGIE. That is too much to say.

Mr. BARTLETT. Would there be any limit?

Mr. CARNEGIE. Well, now, wait——

Mr. BARTLETT. I will wait.

Mr. CARNEGIE. I have stated that human nature is such that laws to prevent larceny are indispensable.

Mr. BARTLETT. That has been an old law that has come clear down from Sinai.

Mr. CARNEGIE. I think it has been revised several times since that time. [Laughter.] What are your lawyers worth if they can not improve a law that was given as far back as at Sinai?

Mr. BARTLETT. It has not been improved a great deal as to those parts of it.

Mr. CARNEGIE. Judge, listen; I have stated to you that it would be impracticable to obtain what you and I would call fair prices for articles if the law permitted an aggregation of capital and human beings to obtain higher prices without breaking the law. You would have the consumer paying higher prices.

Mr. BARTLETT. Are you familiar with the prices of steel rails and things of that sort in 1888 or not?

Mr. CARNEGIE. No. I have not the slightest idea. I would have to refer to the records.

Mr. BARTLETT. I do not want you to do that. I did not know whether you were familiar with them or not.

Mr. CARNEGIE. No. I have not these things in my mind. Judge, that is 14 years ago, at least——

Mr. BARTLETT. More than that.

Mr. CARNEGIE. It is asking too much to ask me to remember details that far back. You ask the chairman there——

Mr. BARTLTET. I am not going to ask it if you do not remember. It is not necessary to explain further.

Is it your opinion that there is no wrong in a monopoly of the products of the country—necessary products—such as steel, iron, food, or clothing?

Mr. CARNEGIE. I will ask you a question, if you will permit me, Judge?

Mr. BARTLETT. All right, sir. I shall try to answer it.

Mr. CARNEGIE. If there were no law against it would there be any wrong?

Mr. BARTLETT. It is against the common law.

Mr. CARNEGIE. Then, what is the use of talking about a question when there is a law? You say there is a law, therefore, I say it is wrong if there is a law against it.

Mr. BARTLETT. Is there no moral law or any feeling in your mind that it is against a moral law to do it?

Mr. CARNEGIE. There is no moral law that would be effective in the state of human nature as it is now. It is an absolute necessity for you gentlemen to have a law against it. Then, you are safe. In the interests of the consumer we must have a law.

Mr. BARTLETT. Do you think it is good morals for people engaged in the manufacture of necessary articles for the use of the public to form combinations so as to prevent competition, or to destroy competition, with the purpose of charging the consumer as high a price as possible?

Mr. CARNEGIE. Now, I will answer that question.

Mr. BARTLETT. All right.

Mr. CARNEGIE. Have they not done so.

Mr. BARTLETT. I do not know. I ask you.

Mr. CARNEGIE. But I assume that you do know, judge.

Mr. BARTLETT. I think they have. I think they have tried it.

Mr. CARNEGIE. Why do you only say that you think so? You see the prices that they have charged?

Mr. BARTLETT. That is my judgment—that they have.

Mr. CARNEGIE. Let me tell you——

Mr. BARTLETT. I think it it highly immoral, just as much as I think it would be immoral for a man to charge 25 per cent interest upon money, 2½ per cent a month, or 30 per cent or 50 per cent.

Mr. CARNEGIE. We have a law in New York that interest is 7 per cent, and a man who charges more is doing something immoral, unlawful, but I have known men who lent money for what it was worth. There is a large class that do that.

Mr. BARTLETT. And violate the law?

Mr. CARNEGIE. No; that is not violating the law, I think.

Mr. BARTLETT. And they are men in high business circles, too, are they not, who stand high?

Mr. CARNEGIE. Wait a moment. Is there no means by which a man can lend his capital above the rate of interest? Is not there a form——

Mr. BARTLETT. Not in my State. I do not know how it is in New York.

Mr. CARNEGIE. It is done so much in New York, I judge, from reading in the papers. [Laughter.]

Mr. BARTLETT. I understand that that is the greatest center of the violation of the law in business matters in this country.

Mr. CARNEGIE. Judge, whether under the moral law we would attain the results you aim for or not, is the question. I say we would not, and therefore that you gentlemen must propose a law, so clear and explicit that "He who runs may read." Then you will put him in the penitentiary if he breaks the law.

Mr. BARTLETT. When do you think that these gentlemen engaged in these large businesses had their coinsciences awakened to the impropriety of combinations and charging people large prices?

Mr. CARNEGIE. From the day that they made up their minds that the American people would not stand combinations——

Mr. BARTLETT. I am excepting you from that class, because you have stated your opinion was formed before that. But is it not a fact that they never made up their minds that it was morally wrong or legally wrong until the Supreme Court decided that they could not do it?

Mr. CARNEGIE. Ask them that question, Judge.

Mr. BARTLETT. I ask for your opinion. That is all.

Mr. CARNEGIE. My opinion? No. My opinion amounts to little there.

Mr. BARRETT. It amounts to a good deal, I think.

Mr. CARNEGIE. Oh, no, Judge; do not let us waste time in that way. Let us get an effective law that will make it unlawful, and then you can punish them if they break the law.

Mr. BARTLETT. Do you think that Congress, if it passes such a law as you recommend, should permit restraints of trade and monopolies at all; that any law that Congress might perhaps enact should permit combinations in restraint of trade at all, or monopolies?

Mr. CARNEGIE. I do not get the bearing of your question.

Mr. BARTLETT. You suggested that Congress ought to make a law, and make it clear. And that is one reason for this investigation, to see if this committee can not evolve some law to suggest to Congress.

Mr. CARNEGIE. Has Congress not made a law for an Interstate Commerce Commission?

Mr. BARTLETT. Relative to railroads; yes, sir.

Mr. CARNEGIE. Yes. I want you to do exactly the same thing in regard to industrialism. Exactly. You need nothing less. Then the evil will be cured.

If you had seen the demoralization in railroads that I have seen, far worse than anything in industrialism, gentlemen, you would appreciate why I recommend such a law. Gentlemen, your pathway is clear.

Mr. BARTLETT. You do not answer the question, Mr. Carnegie.

Do you think or suggest that, in the law you say Congress should pass regulating this business, there should be permitted by the corporations a monopoly of the business or restraint of trade in interstate commerce by them?

Mr. CARNEGIE. The law would not amount to anything if they were permitted to go on. You need a drastic law.

Mr. BARTLETT. A drastic law that does not permit either monopoly or restraint of interstate trade?

Mr. CARNEGIE. Not a particle.

Mr. BARTLETT. That is all that the Sherman law does now.

Mr. CARNEGIE. Very well. If the Sherman law be effective, give it a trial.

Mr. BARTLETT. It is pretty effective when it is about to destroy two gigantic monopolies.

Mr. CARNEGIE. Well, sir, I hear so many people declaring that they do not know when they break it or how they break it.

Mr. BARTLETT. You do not know when you convict a man who has violated the law that he will not violate it again?

Mr. CARNEGIE. I do not believe that the law is half drastic enough.

Mr. BARTLETT. You do not?

Mr. CARNEGIE. There is something the matter with it.

Mr. BARTLETT. The complaint generally is that it is too drastic.

Mr. CARNEGIE. I think it will be made so, because it will create that court or commission which will have power to fix rates. You have not anything like that under the Sherman law. The Sherman law is all negative: "You can not do this." "You can not do that." What we want is positive action, telling them both what they can do and what they can not do; and then punish them if they disobey it.

The reason I think this commission should have the power to fix maximum prices is this: I have no objection whatever——

Mr. BARTLETT. How would you like to provide a "reasonable" price for their products?

Mr. CARNEGIE. Reasonable? There is no reason in that. Reasonable! The seller would think it was worth $50 and you would not give $25. Reasonable! Now, Judge, I just put that question to you. Ask two men, the buyer and the seller, what is reasonable, and see what they say!

Mr. BARTLETT. That is the term used in the railroad-rate law, at least. If it is ridiculous, Congress has for nearly 35 years used the word in the interstate-commerce law.

Mr. CARNEGIE. But that is after you have got the court——

Mr. BARTLETT. No; it was before we had the court.

Mr. CARNEGIE. But the commission followed.

Mr. BARTLETT. Oh! The commission. The court, you said.

Mr. CARNEGIE. The commission, I meant, Judge. The commission had to follow. The commission is there.

Mr. BARTLETT. Is your criticism of the Sherman law that it is not drastic enough?

Mr. CARNEGIE. I do not know whether it is or not.

Mr. BARTLETT. I understood you to say a moment ago that you did not think it was drastic enough.

Mr. CARNEGIE. Because I hear so many people declare that they do not know what to do. Judge Gary says he is not quite sure how to act under it; and I believe that he is a thoroughly honest man and wishes to obey the law.

Mr. BARTLETT. I agree with you about that.

Mr. CARNEGIE. You agree?

Mr. BARTLETT. I agree with you that he wishes to obey the law, and that he would like to have the law changed. I will not say that this applies to Judge Gary—but people who have been engaged in business have disobeyed the law——

Mr. CARNEGIE. He not only wants it changed, but he wants it made so clear that he and everybody will know just exactly what it is. He wants such restrictions as he understands, and that he can obey.

Mr. BARTLETT. Do you know there is an old saying—I will not quote all of it—that no man who ever felt the law has a good opinion of the law, anyway?

Mr. CARNEGIE. Well, you would not hang any of these men?

Mr. BARTLETT. No; I would not hang anybody, hardly, but I would not permit the practices that have heretofore been carried on to continue, if I could help it.

Mr. CARNEGIE. I am with you, Judge, in that.

Mr. BARTLETT. Because a monopoly—certainly of the necessities of life. and the products which the people are compelled to have—is odious to all English-speaking people.

Mr. CARNEGIE. Amen.

Mr. BARTLETT. And it did not take the decision of the Supreme Court of the United States in 1911 to decide that question. We have it back from the earliest English authorities, beginning with the decisions of Lord Coke.

Mr. CARNEGIE. There is something lacking. You need something. You need another measure to produce the effect desired.

Mr. BARTLETT. What was lacking, in my opinion, was the disposition of the men engaged in large businesses not to regard the law until they were brought up against its firm fist. That is my opinion.

Mr. CARNEGIE. I think you will find the leading manufacturers of America prepared to swear that that was not the real reason; that they did not understand what was lawful and what was not lawful I will claim that justice for them.

Mr. BARTLETT. I will change it and say that they did not try to find out or to understand it properly. That is all.

Mr. GARDNER. Mr. Carnegie, just to clear up this subject, I want to make this statement first and then you will see what I am driving at:

There are two lines of thought developing in this country amongst the people who think that the present state of affairs in large industries, or, as people now call them, large units of production, need some change.

There is the line of thought which perhaps I could express best by President Taft's message, which believes that dissolution of large units should go on under the existing Sherman law. There is a line of thought which I can best express by calling it the one indicated by ex-President Roosevelt in the Outlook article, which looks to the recognition of large units, but their control by a court or commission such as you are asking for.

Do you follow me up to that point?

Mr. CARNEGIE. Certainly, Mr. Gardner.

Mr. GARDNER. In which class of mind do you find yourself?

Mr. CARNEGIE. Mr. Gardner, I, of course, am familiar with Mr. Roosevelt's position, and I have heard from him on the subject and have agreed with him.

I think that, for the present, you should allow large organizations to continue and you should pass what we recommend—this law for a commission to fix maximum prices. That is a step in the right direction.

If you will be patient we shall see whether that needs any further legislation, and, if so, we shall make it. Your successors will make it if you do not. They will have all the facts before them, which we have not.

In taking a new path I would only go to the first resting place and sit there and await results. And I hope you will agree with me in that, and that we should not assume what will happen from this legislation until we give it a trial. I hope you will agree with that.

Mr. GARDNER. Your present idea, Mr. Carnegie, is that, for the present at least, we should travel in the direction of the recognition,

by Government control over large units, such as the same direction which we have taken with regard to railroad corporations?

Mr. CARNEGIE. Certainly. Do you agree with that? I would like very much to know.

Mr. GARDNER. I have not altogether made up my mind. I will be perfectly frank. I shall give indications in this colloquy—because I shall not call it an examination—of the way my mind is working.

Mr. CARNEGIE. I shall be delighted to hear it.

Mr. GARDNER. I think that the American people are overwhelmingly in favor of the dissolution being tried. This is simply my opinion. I think they are in favor of dissolution being tried, with a view to seeing whether they can not reestablish the old conditions of competition, which we all most reluctantly, and I have no doubt you have most reluctantly, abandoned. I have no doubt that you reluctantly abandoned your formerly expressed belief that competition without Government control would work itself out on what was known as the old laissez faire doctrine. I, like everybody else, am exceedingly unwilling to abandon that view. But here is a question that is facing a man like myself. I am not speaking for my party associates on this committee, although I shall try to harmonize my views with the whole committee when it comes to report, if it is a possible thing.

Here is the point: Assuming that I am right in supposing that the American people are determined to have this dissolution tried, then two more branches open out as the thing for legislators to do. It seems to me the question then becomes whether you are going to leave the Sherman Act as it is or whether you are going to make it more drastic, with a view to making this dissolution more hasty and more perfect. So that when you get men in a confused way answering questions at random as to whether it should be made more drastic or not, you must first ascertain in which general direction they think that we ought to go.

I am of this opinion, Mr. Carnegie, and have made up my mind sufficiently to say, in answer to your question, this: That if we decide, in deference to the overwhelming, as I believe, public demand that we should travel in the direction of dissolution, whether or not then the Sherman law ought not to be made more drastic in order to facilitate that dissolution. You catch my position as far as I go?

Mr. CARNEGIE. Certainly.

Mr. GARDNER. I am not speaking as to whether I believe that dissolution will be a success or a failure, and that ultimately we will have to go on the other journey. My mind is rather—and I do not mind saying this—inclining to the belief that I have got to abandon the old laissez faire doctrine and to believe, as you do, that we must go in this direction. If I come to that resolution I shall make that report in this committee, if I am the only one reporting it.

Mr. CARNEGIE. Exactly.

Mr. GARDNER. But I might very well say that, though that is my individual view as to what should be done in the future, nevertheless in the present, as the people in my opinion are going the other way, the thing to be done in the present is to start the powers of the Government in the direction of dissolution.

Do you follow me?

Mr. CARNEGIE. Yes. Certainly.

Mr. GARDNER. Let me ask you this question, to elucidate these two directions:

In the first place, if dissolution takes place by the order of the courts, either under the imperfect law which we have at present or under the law made much more severe, in your opinion will that lessen the cost of steel products to the people, other things being equal?

Mr. CARNEGIE. No, sir. My court, that I stand for, would take care of the rights of the people; and, Judge—I always think of you as a judge or a lawyer——

Mr. GARDNER. I was a bookkeeper. [Laughter.]

Mr. CARNEGIE. I am delighted to hear such an exposition. Your mind has traveled exactly over the same ground that mine has in studying this question.

Wherein we differ is this: You are not sure that it is necessary to dissolve these large companies. You are not sure.

Mr. Gardner, you are sure about one thing, that they must not be permitted to charge monopolistic prices, as they have been doing, by agreements among themselves. You are sure about that?

Mr. GARDNER. Wait a moment, Mr. Carnegie. I have my own opinion as to the question of the agreements amongst themselves, that I am not willing, without further evidence, to express, but I will say this: I ought not to answer your question as to whether I think that they are charging excessive prices or not now. I do not think I would have the right to give anything more than general conclusions, so I shall not contradict you.

Mr. CARNEGIE. But wait. Suppose you assume, for the moment, that they are doing so.

Mr. GARDNER. Yes.

Mr. CARNEGIE. What would your position be? Suppose, for the moment, they are doing so.

Mr. GARDNER. Yes.

Mr. CARNEGIE. What would your position be?

Mr. GARDNER. My position would be that we must travel in one of those two directions; preferably, that we ought to travel in the direction which produces the lowest prices ultimately, even though it appears to be a step in the direction of socialism.

Mr. CARNEGIE. Then do not let us discuss that. My view is that the agent of the Republic on that proposed commission will take good care about prices.

Mr. GARDNER. I quite agree with you.

Mr. CARNEGIE. Then, if you agree upon that, there can be no doubt that you and I shake hands, and if I were a Congressman to-day with you, you and I would vote together for the establishment of that commission.

Mr. GARDNER. That may not be at all the question which presents itself.

Mr. CARNEGIE. I am assuming that it did. Then we would be together.

Mr. GARDNER. I think you have a little bit gotten away from what I want to get at. I want to get at two great difficulties which seem to confront me in whichever direction we go.

Assuming that the United States Congress, believing that the will of the people demands the policy of dissolution to be carried out, and assuming that it is carried out, in your opinion would that have an effect in the direction of lowering the prices of steel products to the consumer?

Mr. CARNEGIE. Certainly it would, but——

Mr. GARDNER. It would or it would not.

Mr. CARNEGIE. It would lower the price.

Mr. GARDNER. That is, dissolution would lower the price?

Mr. CARNEGIE. Dissolution? No. I thought you said "the commission" instead of "dissolution." I thought you said the commission.

Mr. GARDNER. No. I say, suppose that we take the course toward dissolution.

Mr. CARNEGIE. Oh! I thought you said toward a commission.

Mr. GARDNER. Would dissolution by the order of the courts of these large industrial units, in your opinion, result in lower prices to the consumer?

Mr. CARNEGIE. It would depend upon what the court fixed.

Mr. REED. You do not hear his question, Mr. Carnegie.

Mr. CARNEGIE. I assume there would be——

Mr. GARDNER. Just follow me a moment, Mr. Carnegie. I think it is very important to get your opinion on it. I say, supposing Congress rejects your idea of that commission?

Mr. CARNEGIE. Yes.

Mr. GARDNER. And takes the other course in deference to what they believe to be the will of the people and perhaps in accordance with their own judgment; and supposing these great units are dissolved by order of the court. In your opinion would that result in lower prices on steel products?

Mr. CARNEGIE. Not unless there was a tribunal to fix prices. You mean that they can do anything of that sort and there would be destructive competition?

Mr. GARDNER. We will say, instead of being the mere dissolution of the United States Steel Corporation and the resolution of all these constituent companies into independent companies, that it is even more drastic than that. Let it be as drastic as you choose. Would that, in your opinion, tend to lower prices for steel products?

Mr. CARNEGIE. If there was a law by which they could not confer or unite in any way to make a common price?

Mr. GARDNER. If you destroy them as they stand by dissolution and under the order of the court and do not establish the commission which you advocate and which I will admit is at all events worthy of consideration.

Mr. CARNEGIE. Why, my dear sir, if you dissolve them into small parts they will do as they did before when they were small parts.

Mr. GARDNER. Of course they will. Will that, in the long run, make cheaper steel products or more expensive steel products?

Mr. CARNEGIE. No; because they would have understandings. They would be driven to understandings against destructive competition which would ruin them all.

Mr. GARDNER. No matter what they are driven to, would it, in your opinion, result in the consumers of this country getting their steel cheaper in the long run?

Mr. CARNEGIE. Not permanently; no, sir.

Mr. GARDNER. That is your opinion?

Mr. CARNEGIE. It is my opinion.

Mr. GARDNER. That is one of the objections that is working in my mind to this dissolution process.

Let me go in the other direction and show you what is working in my mind as an objection to your commission, which you propose.

Would you clothe this commission with the power to prescribe a maximum price for products which enter into interstate commerce?

Mr. CARNEGIE. All products?

Mr. GARDNER. All products.

Mr. CARNEGIE. We are dealing now with steel, are we not—all products of steel?

Mr. GARDNER. If you establish a court you must establish it under general laws.

Mr. CARNEGIE. All manufactures?

Mr. GARDNER. Yes. Then you would say that it should apply to all manufactures?

Mr. CARNEGIE. Yes; certainly.

Mr. GARDNER. That would allow them putting a price on any manufactured goods, irrespective of whether they were manufactured under a patent or no matter how competitive the business was.

Supposing it was some manufactures like the boot and shoe industry in my own districts, where each man is fighting every other man and where there is unlimited competition; would you say it was proper for the Government to have the right to set the price at which those articles should be sold?

Mr. CARNEGIE. The maximum price?

Mr. GARDNER. Yes.

Mr. CARNEGIE. If it became necessary, I would.

Mr. GARDNER. You would clothe them with that power, in case of necessity?

Mr. CARNEGIE. Yes; that court to be the supreme judge.

Mr. GARDNER. Suppose the whole people should enter into an agreement to take the maximum price, and everyone of them charge the maximum price, and that under ordinary forms of competition there would be many shoes sold under the maximum price; how would you reach a condition like that?

Mr. CARNEGIE. I should not want to reach it.

Mr. GARDNER. That is, you would permit the agreement that they should all charge the maximum price?

Mr. CARNEGIE. Yes.

Mr. GARDNER. I have indicated two of the difficulties which must work in any man's mind who is trying to systematize this thing, because it seems to me that the course of dissolution and the course of Government control are leading in two absolutely different direction, no matter how much we may confuse the issue to-day, and whether a man says he is for more drastic laws or for the amendment of the Sherman Act, when he means the repeal of the Sherman Act under an amendment form; that really the issue which is arising in men's minds is whether we shall follow a policy which, ultimately, leads to dissolution, or whether we shall follow a policy which ultimately leads to the recognition of the large units, coupled with absolute Government control, such as we have over the railroads.

Mr. CARNEGIE. I think, sir, you and I differ in this: I see one next step clearly before me. I go there, and I leave my successors to manage affairs after I am gone. They will see the subject more clearly than you can imagine it or I can imagine it, and therefore I would take this indispensable step at the time.

Mr. GARDNER. Ah! But you could not take it if the American people would not take it?

Mr. CARNEGIE. Just allow me, about the will of the people, to say this: Gentlemen, I have faith in the good sense of the American people. There is not a voter that sends you gentlemen to Congress, with few exceptions, who will not come under this rule—the great mass of your supporters are men who will say: "I know him; he knows more than I do; he is going to study this thing; he will be a good guide for me." Your constituents have that faith in you. The will of the people is not to be assumed if they are excited unduly at these changes that are taking place. It is for minds like yours, sir, and you other gentlemen on the committee. You have to exercise wiser judgment than that of your constituents.

Mr. GARDNER. Mr. Carnegie, you miss my point. It is not because we are so weak as to be afraid of standing out against our constituents, but we are human, like our constituents, and probably taking the line of thought running through Congress, the genuine line of thought, it is more or less the same line of thought which is running through the minds of the people.

I think I should defer to your experience in the steel manufacture, but I think that my judgment of the way my fellow members' minds are working is certainly not so very far wrong in that respect.

Mr. CARNEGIE. You know about the gentleman who could not make up his mind which road to take——

Mr. GARDNER. I know.

Mr. CARNEGIE. There is one path, it seems to me, one step necessary, and then let the future reveal, and let that be attended to when the time comes.

Mr. GARDNER. I can see that; but I say, supposing that Congress will not take that step?

Mr. CARNEGIE. I can not suppose that Congress will not do so. That is hypothetical.

Mr. GARDNER. I will not ask you a hypothetical question, but I would like to get your opinion.

Mr. CARNEGIE. My opinion is that Congress will, as a result of what you gentlemen are finding out, and yourself, among the other members of the committee, have to make up your mind which way you will go; and I believe that the preponderating majority of Congress will see the necessity for giving Government control. I think so.

Mr. GARDNER. There will be, I have no doubt, more Government control. The question is whether they will go in the direction you recommend, or in the direction of dissolution.

In my opinion, the issue that will be presented to us to decide in Congress is not whether we shall recognize these units and control them, but the issue which will present itself, as a practical thing, for us to vote on, is whether we are going to strengthen the Sherman law in order to make dissolution more easy.

Mr. CARNEGIE. In that case I would say, with great respect for my fellow members, if I were a Member of Congress: "But see, we

have had some experience in this direction, and we have had none in the other."

These are all hypothetical questions which you raise. We have the experience of a demoralization in the railway field that nothing in industrialism ever equaled. We appointed a commission. We have a satisfactory result. Gentlemen, let us follow the path which has led us to that result in the railway system and try it in the other direction.

Mr. GARDNER. I want to be perfectly clear. I am saying this to you, but it is really addressed to other people: That in saying what I have said this morning I am expressing only the things that are working in my own mind. I happen to be the senior member of the Republican side—the minority side—of this committee, and I do not want anybody in the world to think that I reflect any discussion with them, or commit them in any way, or indicate anything that might look in the least like anything except the expression of my own ideas. I admit that I have expressed them rather prematurely, because I have not been all through this matter; but I wanted to get at your view.

Mr. CARNEGIE. I am delighted. You and I have walked so far together—that something is necessary. Then, I present this to you as being only one step. You have followed it in the direction of the railroads, and it has succeeded. I ask you to continue on the path, and apply to industries what you have applied to railroads. That is all.

The CHAIRMAN. At that point, Mr. Carnegie, let me see if I understand you. You are in favor of having this commission say that no manufacturer in the United States shall charge more than $28 a ton for rails, we will say, as a hypothetical amount; not more than $20 a ton for billets, no more than $25 per ton for structural shapes, and no more than so much for plates, and so much for skelp, and so on ad infinitum through the whole gamut of the steel market.

Suppose that that should be done, and that these obedient manufacturers should get together, not for the purpose of making a combination in retraint of trade—far from it—but for the purpose of obeying the law; and each one, with his hand on his heart and the law before him, and with the fear of God and of his countrymen in his heart, should say:

"Verily, we will charge the amount, and the exact amount, that the law has fixed as a maximum."

Then, they would get together legitimately, as they would have a right to do, and they would urge their representatives to see that that good and righteous law was not amended in one jot or tittle. And suppose further, in the meantime, in the future as it has occurred in the past, inventive genius should work miracles in steel, in the processes of smelting ores by electricty, we will say, superseding the more expensive process of coke and gas, and you should learn to reduce recalcitrant ores, ores containing titanium and a high degree of phosphorus, and these other things that now render certain of your ores useless; that they should learn to handle lean ores, with a lower per cent of iron, and, as a result, the production of ores would radically increase in four or five years. Do you believe that those good manufacturers would disobey the law they had agreed to follow so religiously, and would automatically decrease their price

because this cost of production had decreased, when, under the law, they could charge the same old price?

Mr. CARNEGIE. What a gross misunderstanding of all that I have been trying to tell you, Mr. Chairman.

What do you suppose the commission would say that visits the works continually and sees all these things? Do you not suppose they would say to this concern: "The cost of labor on the steel rails is $3 less. You must reduce your price."

Why, Mr. Chairman, what would your commission be about? The commission has power from month to month to determine the prices. And, gentlemen, you are going to bring about a relation between capital and labor that will be more satisfactory than the world has ever seen. Capital will be sure of a moderate return. You must grope, of course. You might say, at first: "We will allow you to make 8 per cent on your capital."

And the capital, mind you, will be looked into by your own commission, as well. They would get that, and the interest in the steel works would then be very much what an interest is in a first-mortgage bond. You would not get excessive profits from the steel manufacture, but you would get a sure return, and it would be a security.

The CHAIRMAN. Could you say to the steel industries of this country: "You can make 8 per cent." Would that be feasible?

Mr. CARNEGIE. That commision can say, "We think 8 per cent is an excellent return on capital. You can do that. But I will reduce your price whenever you can make that on a lower price."

The CHAIRMAN. Then, you would not have any fixed price, because each fellow would be allowed to make 8 per cent on his price. Suppose you were making pig iron at $5 a ton less than I am making it. Eight per cent for me would be one price, and 8 per cent for you would be another price. Would you fix each man's profit at 8 per cent, and let one man charge a greater price than the other?

Mr. CARNEGIE. You will find in the document which I submitted yesterday, that the commission would be made familiar with all of the conditions. You would have an expert, and he would see the works that were not up-to-date, that were badly managed, everything; and that commissioner would say: "You must get your works up to the standard, and you will make the $5 a ton profit at this price, if you do it. If you will not do that, and your cost is $2 more, you will only have $3 profit on it." The whole thing is automatic. You can not have anything stationary.

I hope you will notice that point, Mr. Gardner, that it is not to be a fixed price for a certain time. It is to be regulated by the cost—the average cost of rails in the United States; that shows the average condition at the works.

Mr. GARDNER. I had assumed that was your view.

The CHAIRMAN. You would give the commission the right to automatically change rates?

Mr. CARNEGIE. Certainly. It would be useless without that.

The CHAIRMAN. Would you give the aggrieved party the right to appeal to the courts?

Mr. CARNEGIE. To the courts after the commission?

The CHAIRMAN. When the commission has rendered its decision?

Mr. CARNEGIE. That is a detail. I would not do it at first.

The CHAIRMAN. I think not. It is not a detail. It is of the essence.

Mr. CARNEGIE. I would make this court the sole umpire, and give it the full power, and then hold the court responsible.

The CHAIRMAN. But, Mr. Carnegie, would you give to one set of men the autocratic, absolute, unquestioned power, without appeal, to definitely determine the destiny of the steel industry of this country; or, if they were to take the other horn of the dilemma and favor the manufacturers by definitely fixing an exorbitant price, would you leave neither to a court nor anybody else the right to remedy that mischief?

Mr. CARNEGIE. May I ask a question?

The CHAIRMAN. Certainly.

Mr. CARNEGIE. Has the Interstate Commerce Commission the right to fix railway rates?

The CHAIRMAN. Subject to an appeal to the courts.

Mr. CARNEGIE. Then, whatever it has I would give to this commission that I propose. There is an appeal from the Interstate Commerce Commission to the Commerce Court. There is no objection, if you think it necessary, to have three appeals.

Mr. BARLETT. There is an appeal on the law; not on the facts.

Mr. CARNEGIE. That is a detail. I have no objection to your having three appeals, at first. Have three appeals, if you choose; as many as you like.

Mr. GARDNER. Whatever has proven successful in the case of the railroads and the Interstate Commerce Commission would probably be applied in the first instance in this commission which you have suggested until it was proven to work wrong.

Mr. CARNEGIE. Quite so. That is my idea, exactly.

The CHAIRMAN. You would follow the same line that has been followed in the case of the Interstate Commerce Commission and the Commerce Court?

Mr. CARNEGIE. Largely; yes.

The CHAIRMAN. You speak of destructive competition. What do you mean by "destructive competition"?

Mr. CARNEGIE. It is not a word that I have been using, is it? I have been ridiculing the idea of competition otherwise than destructive. Competition is a fight.

The CHAIRMAN. I understood you to say, when you were speaking of the disintegration of these huge corporations or combinations of corporations, that if they were disintegrated they would be forced to make agreements in order to escape destructive competition.

I understood you to make that statement.

Mr. CARNEGIE. All competition is, of course, destructive. You could not limit that. The works that are making things the cheapest run through panics, and the others can not afford to. That was the condition with the Carnegie Steel Co.

The CHAIRMAN. What I understood you meant is this: That competition between two manufacturing concerns, when it becomes acute, resolves itself into the question of which, by virtue of its natural advantages or its superior management, can sell at a profit when the other is selling at a loss. When a given price is a profit to one and a loss to the other, it resolves itself into that, does it not?

Mr. CARNEGIE. No; I beg pardon. No. If you allow a firm to make rails at a profit of, say, $5 a ton, or $6 or $7 or $8 a ton, or whatever it is—it would be high to begin with—any concern making rails

in competition that can not do it at somewhat near the price of its competitor, the sooner that concern stops making rails the better.

The CHAIRMAN. Exactly. I entirely agree with you. So that, when the profits are not sufficient to take care of the efficient and the inefficient, whenever the efficient attempt to sell at a profit, but at such a profit as will not carry the less efficient competitor, then the less efficient competitor, if that competition continues long enough, must go out of business, because he will do business at a loss?

Mr. CARNEGIE. Or go out of business; yes.

The CHAIRMAN. Yes. That sort of elimination under a competitive system is merely a survival of the fittest in that business?

Mr. CARNEGIE. Certainly.

The CHAIRMAN. And the public ought to be served by the fittest if the fittest can serve them in industrial affairs as in the professional world and everywhere else?

Mr. CARNEGIE. That is the economic law. That is best for the country, undoubtedly. But I would have this court or commission fix a maximum price that the successful competitor should charge, and no more.

The CHAIRMAN. You express that idea with remarkable clearness and force in an article in the North American Review, in which you state—

> Such is the law, such has been the law, and such promises to be the law for the future; for, so far, no device has yet been devised that has permanently thwarted its operation. Given freedom of competition, and all combinations or trusts that attempt to exact from the consumer more than a legitimate return upon capital and services write the charter of their own defeat.

Mr. REED, sr. What is the date of that, Mr. Chairman?

The CHAIRMAN. That is 1888.

Mr. REED, sr. That is on "The Bugaboo of the Trusts"?

The CHAIRMAN. Yes.

Mr. CARNEGIE. Let me state something there, Mr. Chairman.

The CHAIRMAN. State anything you like, Mr. Carnegie.

Mr. CARNEGIE. My view, Mr. Chairman, in regard to steel is that an element has come in which does not affect any other industry of which I have knowledge. Gentlemen, you can not organize new steel companies in this country now. Mark that.

The CHAIRMAN. Why not?

Mr. CARNEGIE. Because they could not buy ore.

The CHAIRMAN. They could not buy ore?

Mr. CARNEGIE. They could not buy ore at a price——

The CHAIRMAN. Are there not millions of tons of ore in Tennessee and West Virginia and Pennsylvania which no great concern has yet preempted and that are available at a small cost? I have heard that.

Mr. CARNEGIE. If no man has ever thought that he could buy these ores and go into the manufacture successfully, that is very significant. There have been hundreds of men in search of such a treasure. Do not run away with the idea that the ores of Tennessee can well compete with the ores they are getting from Lake Superior.

The CHAIRMAN. Why not?

Mr. CARNEGIE. Because the elements are not there. The ores are not the same. The expenses are higher. They are in the wrong place for manufacturing. The consumer is not near there. Believe

me, the search for ore in this country has been very, very keen for many years.

The CHAIRMAN. Now, Mr. Carnegie, is it not true——

Mr. CARNEGIE. Do not ask me "Is it not true?" Is it true?

The CHAIRMAN. You understand I am not arguing with you, Mr. Carnegie?

Mr. CARNEGIE. You say "Is it not true?" You assume that it is by the tone of your question. It is very embarrassing to the witness. It puts me in opposition to you at once.

The CHAIRMAN. If you knew what was in the heart and mind, Mr. Carnegie, you would not be embarrassed at all.

Mr. CARNEGIE. I know, Mr. Chairman, but it is what comes from the tongue that is so troublesome. [Laughter.]

The CHAIRMAN. You know so much more about these things than I do that I am now asking you to correct my previous misapprehensions about a matter that I have studied only for a few brief months, to which you have given the study of a lifetime with such remarkable success.

Mr. CARNEGIE. Thank you.

The CHAIRMAN. Mr. Carnegie, I have been under the impression—Mr. Schwab testified to that effect, the engineer, Mr. Perrin, and a great number of persons—that they make pig iron in Birmingham—the Republic Iron & Steel Co., Mr. Gates's concern, and others—for about $4 per ton; that they make it for less than they make it for anywhere else in the United States; that the Woodward Iron Co., for instance, can and does make pig iron at a much less cost per ton than they can make it at Pittsburgh or at Gary. In fact, Judge Gary, if I remember correctly, admitted it.

Mr. CARNEGIE. Bessemer pig iron?

The CHAIRMAN. No, sir; open-hearth pig iron.

Mr. CARNEGIE. Oh, well.

The CHAIRMAN. Which is just as good, is it not? It really brings a better price?

Mr. CARNEGIE. It is not Bessemer.

The CHAIRMAN. Is it true that open-hearth pig iron really brings a better price?

Mr. CARNEGIE. I do not know that it is true. But I know this: That Schwab expects to make his eastern property valuable and the Pennsylvania Steel Co. through a recent discovery in Cuba.

Mr. REED. You mean the Bethlehem Steel Co.?

Mr. CARNEGIE. The Bethlehem Steel Co.; yes.

The CHAIRMAN. I do not mean to differ with you, but this enters my mind at this time: Is it true that, as Mr. Schwab says—he agrees with you that there will be no new iron mills—that they can make pig iron cheaper in Birmingham—that is, open-hearth pig iron, basic pig, I believe they call it—cheaper than it can be made elsewhere, but that they have not the facilities for transportation or the market and that that cheapness is due to the remarkable propinquity of the ore, the coal, and the limestone, and that all the ores, the coal, and limestone that are located in this immediate vicinity thrown there together are confined to a small area? Mr. Schwab claims that all of these ores, and Mr. Perrin and the rest of them say the same thing, are now held by the companies in opera-

tion and that there is no more of it in the market available. Is that true?

Mr. REED. Mr. Schwab did not testify to that. Mr. Perrin did and Mr. Moore and Mr.——

The CHAIRMAN. Mr. Schwab said, if I remember correctly, that there would be no more new great iron concerns, because there was no ore available.

Mr. CARNEGIE. Yes; he did. Schwab is an authority on that. I think Schwab's statement is correct.

Mr. Chairman, you would be amazed at the price it would bring if there were new fields of ore discovered to-day. The end of the Lake Superior region is not far away, and what we are going to do I do not know. If there would be some further discoveries, possibly, that would help the situation.

The CHAIRMAN. Are there ores in the Lake Superior region now in sufficient quantities that could be secured and smelted at such a cost, by independents, as to make them available for the purpose of utilizing those ores as the basis of new competing concerns with the existing concerns?

Mr. CARNEGIE. The best evidence of that is that there has been no attempt of any competing concerns for many, many years.

Mr. GARDNER. May I call your attention, Mr. Carnegie, to something that perhaps you have overlooked, and that is that after 1915 there will be 500,000,000 tons of ore, fee ore, in the market which belong to the Great Northern Railroad? You know that lease will be canceled at that time?

Mr. CARNEGIE. That is the Hill lease?

Mr. GARDNER. The Hill lease will be canceled then. So that that would be a basis, perhaps, for one new company, but not for an indefinite number of new companies.

Mr. CARNEGIE. Mr. Gardner, you had better get the opinion of experts in regard to that property.

Mr. GARDNER. I would like your opinion, when the chairman has finished his questions.

The CHAIRMAN. That is all right. Go ahead.

Mr. CARNEGIE. I am not an expert. I only know, generally speaking, what it has cost the United States Steel Co. to try to make that ore available.

Mr. GARDNER. The royalty was enormous.

Mr. CARNEGIE. I do not know. Of course, I just heard it stated. I suppose I am free to state, therefore, although it may not be true, that I understand it runs into a great many millions already. The United States Steel Co., in my opinion, did not give up that ore for any reason but that they were convinced that they had made an unprofitable investment.

Mr. GARDNER. That they were paying 85 cents royalty, with an ever-increasing scale; which might affect the question somewhat as to the cost?

Mr. CARNEGIE. I do not think you will find a purchaser.

The CHAIRMAN. I wish to ask this question, right at that point: I am asking if this is correct, this statement that has been made to me, but never on the witness stand; it has been made to me by steel men, however, who have practical knowledge of it, and who have utilized some of those ores. That the Hill leases are held in this

way: The promoter went into that country and found this ore, and had no means of transportation, and he had to make a traffic contract with the railroads that tapped it. That road was the Great Northern. It was the custom of the owners of those steel properties to make a conveyance of the property to the railroad, or to the Hill interests, and then they would reconvey it to the man who had discovered the ore, with a provision running with the land agreeing thereafter to ship the ore over the Great Northern Railroad, and to pay 80 cents to Superior or some other lake port; and that, in the event the Interstate Commerce Commission or any other authorized authority should lower those rates, then the royalty should automatically increase. Do you know anything about that?

Mr. CARNEGIE. I do not know anything about that. Nothing. I know that the United States Steel Co. investigated it and decided to go in.

The CHAIRMAN. Yes.

If those ores are held in that way, so that, no matter what the law does, the shippers of the ores will always have to pay 80 cents to lake ports, and then pay such rate as is charged over the Lakes, such rate as may be charged over the Bessemer & Lake Erie, can any independent concern utilize those lake ores to compete with a perfectly integrated corporation that owns its own transportation facilities?

Mr. CARNEGIE. My opinion, formed upon what I have read——

The CHAIRMAN (interposing). And your experience?

Mr. CARNEGIE. Yes. Now, mind you, it may be all wrong.

The CHAIRMAN. I am willing to take it.

Mr. CARNEGIE. My opinion is that there are disadvantages in the position of that ore, and many other things which would, in view of the experience of the present owner—the United States Steel Co.—deter any conservative, wise investor from having anything to do with it.

Mr. REED, Sr. That does not answer the chairman's question.

The CHAIRMAN. I am satisfied.

Mr. GARDNER. What is the point now?

Mr. REED, Sr. The chairman asked him the effects upon the control of transportation, and Mr. Carnegie went off in another direction and answered that there were certain disadvantages in the ore itself.

Mr. GARDNER. What is the question you want answered?

Mr. REED, Sr. I just said that Mr. Carnegie did not exactly answer the chairman's question.

The CHAIRMAN. You owned the Bessemer & Lake Erie?

Mr. CARNEGIE. Yes, sir.

The CHAIRMAN. What did it cost you to ship a ton of ore from Conneaut to Pittsburgh?

Mr. CARNEGIE. I must refer you to the people who operated it.

The CHAIRMAN. I beg your pardon, but——

Mr. CARNEGIE (interrupting). I have no idea.

The CHAIRMAN. I beg your pardon, but before the Ways and Means Committee, Mr. Carnegie——

Mr. CARNEGIE. Would you ask Schwab? He is the president, and he has everything of that kind in his mind.

The CHAIRMAN. I wish he were here. I should be delighted to ask him.

Mr. CARNEGIE. He could tell you these things; but I think he will also tell you that a man more ignorant of all these things than I am does not exist on the face of the earth.

The CHAIRMAN. You were good enough, Mr. Carnegie, before the Ways and Means Committee to testify, if I remember correctly, that the cost of transporting a ton of ore from Conneaut to the Carnegie works was about 10 or 20 cents a ton?

Mr. CARNEGIE. Oh, my dear sir; to transport? There is where so many errors creep in.

The CHAIRMAN. That is what I want—the facts in regard to that.

Mr. CARNEGIE. I heard that the same service, taking a long train of iron ore and getting it down to Pittsburgh, was 12 cents a ton; that is, that paid the locomotive engineer, the brakeman, and everything of that sort, and that taking back the empty cars cost 11 cents. That has nothing to do with the cost of transportation.

The CHAIRMAN. I understand. You are speaking of the cost of running the trains, without including the cost of keeping up your road and all that?

Mr. CARNEGIE. Yes.

The CHAIRMAN. The coal, the haul, and one thing and another of that sort?

Mr. CARNEGIE. Everything. It was remarkable, though, to me how cheap that was. You see, there was just the one class of traffic—full trains; very few passenger trains on the road, which are very expensive to a road where there is little passenger travel.

Mr. YOUNG. Have you any knowledge, Mr. Carnegie, about what is known as the Hill ores, as to their quality?

Mr. CARNEGIE. You mean in the South?

Mr. YOUNG. What are known as the Hill ores.

Mr. CARNEGIE. No; I have not. I have just heard general remarks from those who have seen it and know it, and the remark has always been to me, "Nobody but the United States Steel Co. would have gone into that project."

Mr. YOUNG. Have you any knowledge as to whether those ores differ in any way, substantially, from the other ores on the Missabe Range?

Mr. CARNEGIE. I have not.

Mr. YOUNG. Have you any knowledge as to the extent of the deposits?

Mr. CARNEGIE. No, sir. I have only heard the opinion expressed by men who have that knowledge.

The CHAIRMAN. Do you know J. T. Odell, former president of Pittsburgh, Bessemer & Lake Erie?

Mr. CARNEGIE. J. T. Odell?

The CHAIRMAN. Yes. He was the president of the Pittsburgh & Lake Erie, was he not?

Mr. CARNEGIE. He was one of the parties that was originally in the Shenango Road?

The CHAIRMAN. Yes.

Mr. CARNEGIE. I had forgotten his name.

The CHAIRMAN. He made a report to the company about this road, in which he said:

The lowest rate per ton per mile, the highest average length of revenue haul in proportion to its track mileage, the greatest density of tonnage in proportion to its freight-train mileage, the greatest average paying load, and the lowest "ton-mile cost" of any road on the American Continent reporting to the Interstate Commerce Commission. The average paying load of all its freight trains, including three branches, and with but little back loading, was, for the year ending December 31, 1899, 777 tons. It is confidently expected, when south and north bound tonnage is 70 per cent and 30 per cent, respectively, and the tonnage reaches 5,000,000 tons annually, as it promises, that the average paying load will not be less than 900 tons, or four and one-half times greater than the present average paying load of the country. The maximum weight of the paying load for the year was 1,580 net tons, with the average, as before stated, of 777 tons. Of the ore trains, each earned on a 3½-mill rate per ton per mile (gross ton) $513 per train mile. The road is laid with 100-pound rail and the track ballasted with furnace slag. The bridges will carry $6,600 pounds to the linear foot. The standard locomotive is the consolidation pattern, having cylinders 22 by 28 inches, and weighing 170,000 pounds on the drivers alone. The ore equipment consists mostly of steel cars, weighing 17 tons and carrying 50 tons more. The company is having built a few of what will prove to be the heaviest locomotives in the world, having cylinders 23 by 32 inches, and weighing 217,000 pounds on the drivers. With these locomotives the total weight of an ore train, including the locomotive and light weight of the cars, will be about 2,600 tons.

But it is not only in the operation of the road that greatest economy is obtained, but also in the transfer of the ore from the lake steamers to the trains. The steel company owns the entire harbor at Conneaut. Nine ships can be docked at the same time. Twenty-five thousand tons of all classes of freight can be handled every 10 hours. The most modern machinery is used for handling ore and coal. A 6,000-ton ship can be cleared in 14 hours, and in the same time from the moment the hatches are open the ore can be at the furnaces at Pittsburgh. A new steam shovel was completed last winter by which a train of 35 to 40 cars will be loaded with ore in 2 hours. A 40-ton car of coal can be unloaded and partly trimmed in the ship in 36 seconds. Most of the switching at Conneaut is done by the haulage system (a cable running between the rails at about 4 miles per hour). The operating officers believe that with this railroad the utmost limit of all that is possible in solving the problem of cheap transportation has been reached. Their achievement shows what remains to be done and can be done by the other railroads of this country in the same direction.

Mr. REED. What was the occasion of that report?

Mr. REED, Sr. Is that a prospectus?

Mr. YOUNG. It sounds as if they were trying to sell the road about that time.

Mr. CARNEGIE. That is the way it strikes me.

The CHAIRMAN. July 25, 1896, the first contract was let. This is a statement by the vice president of the road as to the road. I do not care what the man's motive was.

Mr. REED, Sr. Addressed to whom, please?

The CHAIRMAN. This is the letter of the vice president. It does not say to whom it was addressed. I would have to read the context here to see that. It is a letter touching the road, by J. T. Odell, former vice president of the road. It is a letter to Mr. Henry Oliver, I see.

Mr. BRIDGE. Henry Oliver gave it to me.

Mr. YOUNG. You do not know to whom it was addressed?

Mr. BRIDGE. I do not know to whom it was addressed.

Mr. CARNEGIE. I never heard that transcendent description of my property until now. [Laughter.]

The CHAIRMAN. Is that correct?

Mr. CARNEGIE. Correct? Why, I have sat and listened to that for the first time, to those most extraordinary statements, and you ask me if they are correct. It seems to me like an advertising document, as you say, to sell the road, Mr. Young. [Laughter.]

The CHAIRMAN. Do you know Mr. Odell?

Mr. CARNEGIE. I do not remember ever meeting Mr. Odell. I may have been introduced to him at Pittsburgh, as I went up the road, as the vice president. I had to ask Judge Reed just now who he was. How often have I to remind you that I am the most ignorant man about the details of that business in Pittsburgh that is living.

The CHAIRMAN. The Carnegie Steel Co. owned that road at that time, did it not?

Mr. CARNEGIE. Did we own that road and everything, Judge?

Mr. REED, Sr. Mr. Odell is a very capable and reputable expert. A little optimistic sometimes, I think.

The CHAIRMAN. To get back to the question:

You did have a very efficient road there, did you not, and were able to haul at a very low cost?

Mr. CARNEGIE. I have been over it and admired that road. The first steel cars that we ever built we built and ran over that road, and then I told the people the day of wooden cars was past—that they would be prohibited by law as too dangerous to run. Now everything is steel.

The CHAIRMAN. When you acquired the Lake Superior Consolidated Iron Mines, the Rockefeller interests——

Mr. CARNEGIE. It was Harry Oliver, was it not?

The CHAIRMAN. The Oliver Iron Mining Co.?

Mr. CARNEGIE. Yes; I think we acquired——

The CHAIRMAN. I am asking for information. The Duluth, Missabe & Northern was the road that the Oliver Mining Co. used, was it not?

Mr. CARNEGIE. I do not know. I never heard of it.

The CHAIRMAN. That went from the Vermilion Range?

Mr. REED. The evidence shows that they used both the Duluth & Iron Range and the Duluth, Missabe & Northern.

The CHAIRMAN. The Oliver Iron Mining Co.?

Mr. REED. Yes. The Oliver Iron Mining Co. did not own any railroad in Minnesota.

The CHAIRMAN. Did it use both roads?

Mr. REED. Yes.

The CHAIRMAN. That is what I was trying to get at when Mr. Brown was on the stand.

When you acquired the Rockefeller interests you acquired the Duluth, Missabe & Northern Railroad, did you not?

Mr. CARNEGIE. I do not know.

The CHAIRMAN. Do you remember the road that ran from the Mesabi Range to Lake Superior?

Mr. CARNEGIE. No.

Mr. REED. If I may interrupt, the evidence already before your committee shows that the Duluth, Missabe & Northern was owned by the Lake Superior Consolidated Iron Mines, which remained in the control of Mr. Rockefeller until it was sold to the steel corporation in 1901.

The CHAIRMAN. And the Carnegie Co.——

Mr. REED (interposing). Never owned it; never had an interest in it.

While the Duluth & Iron Range was owned by the Minnesota Iron Co, it was a part of the Federal Steel Co. The Carnegie Co. never had an interest in it.

Mr. CARNEGIE. I am under the impression that the Carnegie Steel Co., at the time of its consolidation, and that is what I am trying to get at, at the time the Carnegie Steel Co. became a part of the United States Steel Corporation, owned its transportation facilities from the Superior ore region to its blast furnaces.

Mr. REED. I think that is correct with the exception of the road from the ore mines to the Lake Superior ports. It was simply a shipper over those roads, and owned no railroad of its own over there.

Mr. GARDNER. They had the ore contract with Mr. Rockefeller, with the Consolidated, of which Mr. Carnegie spoke the other day, did they not?

Mr. REED. Yes; they had taken over some of the leases.

Mr. GARDNER. They owned 83⅓ per cent of the Oliver Iron Mining Co., but there was no railroad in which they had any ownership north of Lake Superior, as I understand it.

Mr. REED. That is exactly correct, Mr. Gardner.

The CHAIRMAN. As I understand you now, the Oliver Iron Mining Co. at the time of its consolidation, sold five-sixths of its securities to the Carnegie Steel Co.?

Mr. REED. It did not. The owners of the five-sixths did sell.

The CHAIRMAN. Then the Carnegie Steel Co. sold five-sixths of the Oliver Iron Mining Co., and they had the same rates that the Oliver Iron Mining Co. had, of course?

Mr. REED. The Carnegie Co. never mined any ore. The Oliver Iron Mining Co. did.

The CHAIRMAN. Did it not ship over the rails controlled by the Oliver Iron Mining Co.? It used the railroad used by the Oliver Iron Mining Co., or controlled by it?

Mr. REED. That is just the idea I am trying to correct, Mr. Chairman. The Oliver Iron Mining Co. did not control any railroad anywhere. It was simply a shipper over roads controlled by other mining companies.

The CHAIRMAN. The other day I produced this written memorandum that explains itself, when Mr. Brown owned this section 30. I have the copy in the original handwriting:

MR. CONGDON'S MEMORANDUM.

Whatever rate the Oliver Iron Mining Co. may get on its ores from Ely to Lake Superior, Miller & Brown shall have on their ores from lands in section 30, Tp. 63, R. 11, so long as such land is owned by them, no matter in what way such rates may be obtained. Such ores to be shipped by or through the Oliver Co. if they so elect.

MR. BROWN'S MEMORANDUM.

Withdrawing suit conditioned upon: The Midway Co. and John G. Brown being by way of or through the Oliver Iron Mining Co. guaranteed and enabled to ship their ores on or in section 30, Tp. 63, R. 11 west, so long as owned by them, therefrom to Lake Superior ports, and other freights incident to mining,

in carload lots from Lake Superior ports to said section 30, at same rate and cost or expense as like freights and transportation may be to and actually cost the said Oliver Co., successors and assigns, no matter in what way obtained, whether by special rate, drawbacks, rebates, or in any other way. Such freights to be shipped by or through the said Oliver Co., if they so elect. Said Oliver Co. also to satisfy all attorney claims a/c said suit to be withdrawn and refund to Mr. Higgins $600, to Conan $550, to John G. Brown, $750, to John Seymour, etc.

All papers, documents, records, etc., appertaining to said suit to be surrendered and delivered to Mr. John G. Brown.

Do you know what agreement the Oliver Iron Mining Co. had with the Duluth, Missabe & Northern or the Duluth & Iron Range as to the ore rate from the Mesabi Range and the Vermilion Range to the lake ports?

Mr. CARNEGIE. I never knew of any arrangement with them; never heard of anything like that in my life. I know nothing whatever about it.

The CHAIRMAN. Do you know Senator Oliver, now in the Senate?

Mr. CARNEGIE. Yes, sir.

The CHAIRMAN. Was he connected with the Oliver Iron Mining Co.?

Mr. CARNEGIE. Was he a partner, or was it his brother, Judge?

Mr. REED, Sr. He had some interest, but H. W. Oliver was the active man.

Mr. CARNEGIE. Judge Reed informs me that Senator Oliver had an interest with his brother. I do not know.

The CHAIRMAN. He spoke before this committe of rebates secured by the Carnegie Co.

Mr. CARNEGIE. I know nothing whatever of that.

Mr. YOUNG. He did not claim to speak from knowledge, but from what he had understood and heard.

Mr. CARNEGIE. I have never heard anything about that. It is all new to me.

Mr. STERLING. It is now 1 o'clock, Mr. Chairman. Do you intend to sit much longer before the recess?

The CHAIRMAN. I had no idea it was so late.

Mr. REED, Sr. How much longer do you think you will require the presence of Mr. Carnegie, Mr. Chairman? If you are going to get through with him, he would like to make his arrangements to get away this afternoon.

Mr. CARNEGIE. I shall subordinate my wishes to you gentlemen. I am here performing a duty, and I will do it fully.

The CHAIRMAN. We are grateful to you.

Mr. CARNEGIE. I want to tell you, really, that I have received so much knowledge that it has not been an unpleasant duty for me to perform. I thought it would be, but it has not been. I will not say that I find you blissfully ignorant of these matters, but you ask me questions that take me back to the old world which I have been away from so long. Now, you take me back to it, and, really, it has taken me away back to my youth.

The CHAIRMAN. I am quite sure, Mr. Carnegie, that the committee can not possibly have afforded you more pleasure than you have afforded the committee. We shall be delighted to have you come back at 2.30 o'clock.

Mr. CARNEGIE. The only regret I have is that I have not a particle of the information that you want. I positively am ignorant

of these things about which you ask me. I never heard of this arrangement before.

Whereupon, at 1 o'clock p. m., the committee took a recess until 2.30 o'clock p. m.

AFTERNOON SESSION.

The committee met pursuant to taking of recess.

The CHAIRMAN. The committee will resume its session.

STATEMENT OF ANDREW CARNEGIE—Continued.

The CHAIRMAN. Are there any of the members of the committee who desire to ask questions of Mr. Carnegie?

Mr. YOUNG. I have a few questions.

The CHAIRMAN. Proceed.

Mr. YOUNG. I understood you to say this morning, Mr. Carnegie, that it would be impossible for any new concern to start in the steel business, because they could not get any ore?

Mr. CARNEGIE. Impossible? I say that you can not induce capital, I think, to embark in the steel business now, on account of the difficulty of obtaining ore, yes; but "impossible" is a word that if I used it I would like to withdraw. I do not profess to define what is impossible.

Mr. YOUNG. Does not that difficulty come largely from the fact that at the present time the plants in existence are a good deal more than capable of meeting the present demands?

Mr. CARNEGIE. At the present moment I think that is correct.

Mr. YOUNG. I would enlarge that to say that for the last two or three years the plant capacity has been a good deal in excess of the demands, so that practically none of the concerns have been working at their full capacity.

Mr. CARNEGIE. I think that is true—that the great rush is over.

Mr. YOUNG. Have you any knowledge, Mr. Carnegie, as to approximately the amount of ore in the Minnesota region that is owned by what you call merchant miners who are not connected with manufacturing plants?

Mr. CARNEGIE. I have not.

Mr. YOUNG. Have you any knowledge as to the approximate amount of ore, for instance, owned by the Cleveland Cliffs Co.?

Mr. CARNEGIE. I do not know. They are one of the old concerns.

Mr. YOUNG. Or by Pickens, Mather & Co.?

Mr. CARNEGIE. I do not know their holdings.

Mr. YOUNG. Or by Morgan, McKenney & Co.?

Mr. CARNEGIE. I know nothing about the holdings of these companies in Lake Superior.

Mr. YOUNG. These people I speak of are what we denominate merchant miners. They are men who sell their ore and do not consume it.

Mr. CARNEGIE. Quite so.

Mr. YOUNG. Have you kept any track of the large development of new ore bodies owned by merchant miners in the Crystal Falls and Iron River district in the last few years?

Mr. CARNEGIE. No, sir. I know nothing about it. I only give you the general impression I have from what I have heard people saying.

Mr. YOUNG. If, in addition to whatever ore there may be on these Hill lands—which is soon to be in the market for somebody—these merchant miners do own 200,000,000 or 300,000,000 tons up there, that would be sufficient for one considerable concern for a great many years, would it not?

Mr. CARNEGIE. It would be for 40 years, if they had 200,000,000 tons and mined 5,000,000 tons a year only.

Mr. YOUNG. That would be a very considerable concern that would consume 5,000,000 tons a year, would it not?

Mr. CARNEGIE. Oh, no.

Mr. YOUNG. I do not mean another United States Steel Co., but a large company.

Mr. CARNEGIE. Well, Mr. Young, the party that invested money in a small steel company would not make rails as cheap as one that was up to the modern requirements.

Mr. YOUNG. You would not call the old Carnegie Co. a small company, would you?

Mr. CARNEGIE. There was a time when it was large.

Mr. YOUNG. During its last years. Did that consume over 5,000,000 tons a year annually?

Mr. CARNEGIE. Why, we made 3,000,000 tons of steel.

Mr. YOUNG. That would account for just about 5,000,000 tons, would it not?

Mr. CARNEGIE. Oh, there is a great deal of loss between the blast furnaces and the finished material. That was finished material of which I spoke.

Mr. YOUNG. Yes.

Mr. CARNEGIE. You take my word for it, you will find no new steel works that can figure only 40 years' existence. The whole thing would be lost at the end of 40 years if they went out of ore.

Mr. YOUNG. Do you think that all the ore has been discovered that will be discovered in the Lake Superior district?

Mr. CARNEGIE. The man that built a steel works, assuming there would be more ore, would be a fool. You have to have a dead-sure thing before you commence to build a great steel plant and put $15,000,000 or $20,000,000 in it.

Mr. YOUNG. You had a very considerable plant in Pittsburgh when you were relying entirely on merchant ore from the old ranges?

Mr. CARNEGIE. Yes.

Mr. YOUNG. And before the Mesabi development?

Mr. CARNEGIE. Quite true. Fortunately, I woke up in time to the danger.

Mr. YOUNG. That plant was never shut down for want of ore, was it?

Mr. CARNEGIE. No; not for want of ore.

Mr. YOUNG. Have you any knowledge as to how much ore there is on what is known as the Hill lands?

Mr. CARNEGIE. That which the steel company has just bought up?

Mr. YOUNG. That is a part of it.

Mr. CARNEGIE. No, sir; I told you that I had no knowledge, and I speak only from the information I derive from the chance remarks of men who, I think, do know. I have no personal knowledge, and

especially have I no knowledge how much more ore can possibly be found. I hope there will be more; but the party of capitalitsts who went into a steel business expecting that they would find new ore would, in my opinion, be a very rash body of men.

Mr. YOUNG. Do you know anything about the extent of the ore bodies in Cuba?

Mr. CARNEGIE. Yes, sir; I just heard of that recently. Great bodies of ore in Cuba have been discovered, and I told you that was a great feature in the case.

Mr. YOUNG. Yes.

Mr. CARNEGIE. If the expectations of the people who have examined that property are fulfilled. It is a great boon to this country, and I hope that ore will be allowed to come in free.

Mr. YOUNG. The Bethlehem Co. is dependent very largely for its great success, is it not, upon the Cuban ores?

Mr. CARNEGIE. I should say quite. I should say it is quite dependent upon the Cuban ore.

Mr. YOUNG. Is that not also true of the Pennsylvania plants?

Mr. CARNEGIE. Yes, sir.

Mr. YOUNG. And are there not, to the best of your information, immense bodies of ore in Cuba which are not owned by either of those two companies to-day?

Mr. CARNEGIE. That I could not answer; but I do know that recently—this is only within a week or two—most sanguine reports have come from there, and I have been rejoicing that there is a field that is tributary to our manufactories.

Mr. YOUNG. Is not this true also, Mr. Carnegie, in regard to ore; that, with improvements in the furnaces, improvements in methods of manufacture, we constantly find ourselves able to use lower grades of ore to advantage and profit than we thought it possible to use a few years ago?

Mr. CARNEGIE. You have to look right in the face the necessity for using lower grade ores. But it is against all economic laws that you can smelt in a furnace with so much heat minerals yielding 40 per cent iron as cheap as others using 60 per cent iron. You can not smelt them as cheaply.

Mr. YOUNG. Undoubtedly that is true; but is it not true, Mr. Carnegie, that that disadvantage, during the last 20 years, has been very largely offset by improvements in the furnaces and the methods of manufacture?

Mr. CARNEGIE. Yes; but there is a chemical law which requires so much heat to smelt so much material. And the chemical laws have never been changed. [Laughter.]

Mr. YOUNG. I do not doubt that. But is it not a fact——

Mr. CARNEGIE. Now, there you say: "Is it not a fact?" Do you think it is a fact—what you are going to ask me?

Mr. YOUNG. Yes.

Mr. CARNEGIE. Please ask me if it is, in my opinion, a fact. Otherwise I have to put myself in opposition to you if I do not believe it.

Mr. YOUNG. That would not disturb me, and I am sure it would not disturb you, Mr. Carnegie.

Mr. CARNEGIE. You go too far, Mr. Young. I assure you it pains me to the quick to differ from so nice a gentleman as you are. [Laughter.]

Mr. YOUNG. That is very kind, but it does not give me the information.

Mr. CARNEGIE. I wanted to have this feeling with you gentlemen: That when I went away I had told you everything and put you on the right road as I saw it, and I could go home saying: "Well, I do believe that this congressional committee are led to take other views, perhaps, to some extent, than they had before, and to think that, after all, there is a great deal in what Mr. Carnegie recommends."

Mr. YOUNG. I have no doubt of that.

I will ask you, then, whether or not it be true that in these last three or four years the ore used in the manufacture of steel in this country is of considerably lower grade than that used 15 years ago?

Mr. CARNEGIE. Alas, it is so.

Mr. YOUNG. Is it not true, also, Mr. Carnegie, that notwithstanding that fact, taking long periods of time, and not each year, the course of steel prices has been downward for a long period of time? I do not mean that there has been no fluctuation, but that the course has been downward; in other words, that this disadvantage in regard to the ore has been overcome by economies in other directions?

Mr. CARNEGIE. And improvements.

Mr. YOUNG. Yes.

Mr. CARNEGIE. Undoubtedly invention and experience have enabled the manufacturer in large part to recoup the extra expense of smelting leaner ore. I think that is undoubtedly the case.

Mr. YOUNG. And is it not your judgment, Mr. Carnegie, that for a good while that process will go on?

Mr. CARNEGIE. There is a fundamental scientific fact, you know, that so much heat is required to smelt.

Mr. YOUNG. That was always true.

Mr. CARNEGIE. Yes; and you can not reduce that.

Mr. YOUNG. No. That is an adverse factor to meet. I admit that.

Mr. CARNEGIE. You must not expect to overcome that law of nature, as we call it.

With that exception, I am not going to say that remarkable discoveries will not be made, and inventions, new processes. I believe the world is marching always to better methods and modes; but we have made such great improvements in the last 10 or 15 or 20 years that sometimes I wonder whether we must not be pretty near the end in that direction. Still I am sanguine that some new processes may come in the future.

Mr. YOUNG. If we could so improve our methods, adopt such economies in transportation and otherwise as would make it practicable to use ores from the Lake Superior district, which as mined, unsorted, would run from 35 to 40 per cent only in iron, that would add tremendously, would it not, to the bodies of ores in existence?

Mr. CARNEGIE. Not to the ores that now exist.

Mr. YOUNG. I mean those that it would be practicable to use.

Mr. CARNEGIE. Those that it would be practicable to work—certainly it would. In England they have shown that. They are working the ore that yields very much less than ours. Still it costs them more money.

Mr. YOUNG. Are you familiar with the report made to the Geological Bureau on Lake Superior ores, in which they estimate in the

Lake Superior district there are at least 76,000,000,000 tons of ore running 35 per cent iron and upward?

Mr. CARNEGIE. No; I do not know that report.

Mr. YOUNG. There is such a report made by Prof. Hayes, who certainly is as competent as anybody. It is an estimate, of course.

Mr. CARNEGIE. Yes. Actually discovered?

Mr. YOUNG. Actually discovered.

Mr. CARNEGIE. Then we will have to come to 35 per cent ore.

Mr. YOUNG. In time?

Mr. CARNEGIE. Oh, undoubtedly.

Mr. YOUNG. But is not this one thing that we have to look to—I do not say positively 35 per cent ore—but that it is going to be entirely practicable to use a lower grade of ore in the future than we have been using in the past and still have a profitable business?

Mr. CARNEGIE. Of course these ores will not be smelted unless the owners can have a profit.

Mr. YOUNG. Certainly.

Mr. CARNEGIE. Always remember this, that without profit you have no rails, you have no steel; there must be a profit.

Mr. YOUNG. Certainly.

Mr. CARNEGIE. That is the reason in the tariff bill that there is a mistake there that I have been pointing out. This is important in the tariff bill. You will have to deal with it directly.

Mr. BARTLETT. What is that?

Mr. CARNEGIE. The Republican platform said that the difference would be in the cost of labor.

Mr. BARTLETT. In the cost of production.

Mr. CARNEGIE. The cost of production, yes; and a fair profit.

Mr. BARTLETT. A fair profit to the manufacturer?

Mr. CARNEGIE. Yes. That was construed to mean that that was against the foreign manufacturer. That is a mistake. The American manufacturer could not possibly get the difference in the duty and a fair profit over the other manufacturer in other countries, because if he did not get a fair profit he would not manufacture.

Mr. BARTLETT. No.

Mr. YOUNG. Let us get back to this question of the ore supply for a minute.

When you made the statement this morning that it would be impracticable for a new corporation in the steel business, because it could not get ore, that was not based on any actual knowledge of the supplies of ore as available in this country for a new concern, but upon general rumors you had heard and from general observations made by gentlemen in the iron and steel business?

Mr. CARNEGIE. With this proviso: I was speaking of to-day—of parties starting in the business to-day.

Mr. YOUNG. Yes; and yet you say you have no idea of the ore owned to-day?

Mr. CARNEGIE. But I do not think you can get a body of wise capitalists to go in to-day and agree to transport and smelt 35 per cent ore.

Mr. YOUNG. I am not talikng of that ore to-day.

Mr. CARNEGIE. But that is the point.

Mr. YOUNG. I am talking of the ore which is owned to-day by merchant miners, which is merchantable to-day.

Mr. CARNEGIE. Ah, that is another thing.

Mr. YOUNG. Yes.

Mr. CARNEGIE. To the extent that merchant owners have ore, I believe they are finding a market to-day, are they not?

Mr. YOUNG. They are not mining any more than they are finding a market for. They could mine double, treble, quadruple the amount if there was a market for it.

Mr. CARNEGIE. Then they would exhaust the supply so much sooner?

Mr. YOUNG. Undoubtedly.

Mr. CARNEGIE. Taking all these facts into consideration, I think that a body of wise capitalists would hesitate to build new steel works to-day without owning their ore?

Mr. YOUNG. That is true; but I hope you are not losing that optimism which gives you faith in the future of this country and its natural resources, Mr. Carnegie?

Mr. CARNEGIE. I never lost faith yet in the land of "triumphant democracy"; but I know this, that the ore question is becoming one when we have to go to 35 per cent ore.

Mr. YOUNG. We do not, as yet.

Mr. CARNEGIE. No; you do not yet. I would like to see the body of capitalists that would come forward to-day and go into steel without knowing their ore.

Mr. YOUNG. Very true.

But my point is that there are large bodies of ore that can be bought because they are not owned by parties connected with any manufacturing concerns to-day. These run into many millions of dollars—hundreds of millions of dollars.

Mr. CARNEGIE. You are quite right; but I think the price these parties would ask for their ore would be a very serious consideration there.

Mr. YOUNG. I think some of those parties who own that ore would be glad to sell it very reasonably. That is all.

Mr. BARTLETT. Mr. Carnegie, have you ever inquired or thought about how much people could be benefited in the preservation of the ores by the Government not selling in fee the public lands it owns which contain these ores?

Mr. CARNEGIE. You mean, the policy of the Government?

Mr. BARTLETT. Have you made any data with reference to the conservation policy with reference to ores? Have you ever given the question any consideration as to what should be the policy of the Government with reference to selling its lands which contain ores, or its mineral deposits; what we call the conservation policy?

Mr. CARNEGIE. Yes.

Mr. BARTLETT. You have given that some study?

Mr. CARNEGIE. I do not think it requires much. It would be a splendid thing for the Government——

Mr. BARTLETT. You have no idea how much ore could be preserved by the Government through not selling in fee its public lands that contain ore?

Mr. CARNEGIE. Your point is that a party building and establishing would buy ore that it could not mine?

Mr. BARTLETT. No. I have reference to the governmental policy.

Mr. CARNEGIE. Suppose they leased. Then would you restrict the purchaser to the amount he would mine every year?

Mr. BARTLETT. I was asking your view about that.

Mr. CARNEGIE. I think you would not find purchasers.

Mr. BARTLETT. You would not find purchasers?

Mr. CARNEGIE. No, sir; I think not.

Mr. BARTLETT. You think, then, that the Government should sell in fee those lands instead of leasing them?

Mr. CARNEGIE. I think parties spending ten or fifteen million dollars in the structures of a plant that would become perfectly useless if the ore were not supplied would insist on having a right to mine all that they wished to consume in their works.

Mr. BARTLETT. One other question with reference to these Cuban ores: Have you any idea who owns them?

Mr. CARNEGIE. No; I do not know. Of course, the Pennsylvania Steel Co., at Harrisburg, is a large owner, and, of course, Mr. Schwab—I mean the Bethlehem Steel Co.—is a large owner.

Mr. BARTLETT. Would the taking off of the tariff on our ore, making it free, benefit this country in reference to having an additional supply of ore?

Mr. CARNEGIE. I think that it would be only good sense to take the tariff off ore and let the manufacturer have it as cheap as he could get it. Then, with the Government control of prices, they would get a fair percentage of profit on the capital invested.

Mr. BARTLETT. Without regard to the interests of the manufacturer, would that delay to a very considerable extent the time in which our supplies of ores would be exhausted?

Mr. CARNEGIE. Certainly, it would.

Mr. BARTLETT. Then, without reference to the policy of protection or nonprotection of manufacturers, you would think that the admitting of ores from other countries free of duty would be the proper policy to aid in the conservation of our present supply of ores?

Mr. CARNEGIE. I certainly think so.

The CHAIRMAN. Until a few years or a very short period before the formation of the United States Steel Corporation there were, I believe, three large steel companies engaged in the manufacture of semifinished products—the National Steel Co., the Federal Steel Co., and the Carnegie Steel Co.. All three of these companies, I believe, were holding companies, I believe. Is that correct.

Mr. CARNEGIE. They were holding companies.

Mr. REED. Is that a question of Mr. Carnegie as to whether there were any other manufacturers of semifinished products?

The CHAIRMAN. No.

Mr. CARNEGIE. Those three were?

The CHAIRMAN. There were these three large holding companies, engaged in the manufacture of semifinished products?

Mr. CARNEGIE. What do you call semifinished products?

Mr. REED, Sr. Billets.

Mr. CARNEGIE. We did not sell billets.

The CHAIRMAN. By that I mean the products of steel which were sold, which were marketable commodities in your hands, but which were raw materials to the concern which took them in that shape and manufactured them to a still higher degree.

Mr. CARNEGIE. We sold billets, Judge Reed says; and skelp, and so on. I do not know to what extent.

The CHAIRMAN. I will explain my meaning more fully, Mr. Carnegie.

For instance, in the Carnegie Co. you had your blast furnaces?

Mr. CARNEGIE. Yes.

The CHAIRMAN. You sold pig iron, did you not?

Mr. CARNEGIE. No. We used our pig iron.

The CHAIRMAN. You did not sell pig iron at all?

Mr. CARNEGIE. No; I do not think we ever did.

The CHAIRMAN. The pig iron or the hot metal, usually spoken of as pig iron, you conveyed in ladles to your furnaces?

Mr. CARNEGIE. Yes.

The CHAIRMAN. And from that iron you made steel?

Mr. CARNEGIE. Yes.

The CHAIRMAN. Did you sell steel billets?

Mr. CARNEGIE. Yes; I think we sold steel billets.

The CHAIRMAN. Those billets were purchased by tube companies or by companies making rails or by companies making any number of things and made into finished products, were they not?

Mr. CARNEGIE. Yes; I think that was rather in the early days, was it not?

The CHAIRMAN. Until a few years before the formation of the United States Steel Corporation.

You did not sell steel ingots, for instance?

Mr. CARNEGIE. No.

The CHAIRMAN. You manufactured them immediately?

Mr. CARNEGIE. Yes.

The CHAIRMAN. You sold billets and you sold sheet and tin plate bars, did you not?

Mr. CARNEGIE. It was such a small part of our business that I never went into that very much.

The CHAIRMAN. Did you not sell millions of tons of billets to such companies as the Shelby Steel Tube Co.?

Mr. CARNEGIE. We sold billets; but millions of tons? No; that is far beyond anything that I know of. I do not pretend to know what the amount was that we sold. But, in answer to your question, yes; we sold billets.

The CHAIRMAN. Did not the concerns which afterwards formed the American Steel & Wire Co., until a few years before the formation of the United States Steel Corporation, buy their raw material, as a rule, from the Federal Steel Co., the Carnegie Steel Co., or the National Steel Co.?

Mr. CARNEGIE. I have no doubt they bought billets. I should think they would scarcely buy billets from us in Pittsburgh when they had the Chicago mills so near.

The CHAIRMAN. These finishing mills, like the American Steel & Wire Co., the National Tube Co., the American Sheet & Tin Plate Co., the Shelby Steel Tube Co., and other like concerns, hundreds of others, nail mills, and the like, as a rule, bought their raw materials from these large companies making the semifinished products, and then carried them still further in the state of manufacture toward the highly finished product; is not that true?

Mr. CARNEGIE. Quite so.

The CHAIRMAN. You remember when the American Steel & Wire Co. was formed, do you not?

Mr. REED, Sr. Give the year.

Mr. REED. 1899, was it not?

The CHAIRMAN. 1889, I believe.

Do you remember when the National Tube Co. was formed and when the American Sheet & Tin Plate Co. was formed, Mr. Carnegie?

Mr. CARNEGIE. No.

The CHAIRMAN. They were all formed between 1897, I believe, and 1900. Is that right?

Mr. REED, Sr. Yes.

The CHAIRMAN. I do not carry any figures in my mind.

I see that Mr. Herbert Knox Smith, in his report on the steel industry, makes this statement, after a résumé and report of these various finishing concerns and their formation into large holding companies:

Immediately, however, came the next step—

That is, after the formation of the American Sheet & Tin Plate Co. and the American Steel & Wire Co., and the others—

Immediately, however, came the next step. These great concerns almost simultaneously began the final linking up of the chain of production. Once begun by one concern, others followed in self-defense. The "secondary" companies began to reach back, acquiring ore reserves and crude steel plants. For example, in 1900, the Steel & Wire Co., whose supply of materials had previously been purchased mainly from the Carnegie or the Federal Co., planned to make its own steel; likewise the National Tube Co. The "primary" concerns, finding these, their chief customers, turning into rivals, retaliated by reaching forward to the manufacture of finished products.

Paramount in importance was the ore. The recognition of that importance came strangely late, but, once recognized, it became an axiom that no large concern could stay in the business unless fortified by its own ore reserves. By 1900 the bulk of the Lake ores was in the hands of less than a dozen companies, with a similar concentration in coking coal.

Such efforts on the part of these great concerns, in striving each to "integrate," to make itself wholly independent, threatened to result in a great and sudden increase and duplication of the steel producing and finishing capacity of the country, and to involve them also in an invasion of each other's business.

Do you remember when that transition stage was occurring?

Mr. CARNEGIE. I think that is remarkably well described. I think that gives you the situation.

The CHAIRMAN. I think so.

Again, quoting from page 18 of Mr. Smith's report:

Thus there was suddenly revealed to the industry what the trade press at the time called "the impending struggle of the giants," a contest between great concerns who, under such circumstances, might be forced to work out in rigorous competition the survival of the fittest.

Such were the conditions in the steel industry in 1900. The spark that lighted the train was the threat of the Carnegie Co. to erect a great tube plant near Cleveland, thus invading the field of finished manufacture.

I read that word "threat" because it is so written here. I do not mean to imply that.

Mr. CARNEGIE. I quite understand, Mr. Chairman.

The CHAIRMAN. I do not mean to imply that you made any threat. I would rather be inclined to believe that your determination to build this great tube company would naturally cause some concern to your competitors.

Mr. CARNEGIE. The National Tube Co. was one with which we had an agreement. They bought billets from us, and they made their tubes. They were at McKeesport.

Mr. REED, Sr. Their main plant was at McKeesport, and they had another at Riverside, near Wheeling.

Mr. GARDNER. There were some 10 tube plants of the National Tube Co.?

Mr. REED, Sr. They have about eight, I believe.

Mr. CARNEGIE. May I confirm an impression from the Judge, because he knows and I do not?

The CHAIRMAN. Certainly.

Mr. CARNEGIE. My impression is that the National Tube Co. had been reorganized and put upon the market, had it not, by Mr. Moore?

Mr. REED, Sr. The National Tube Co. has nothing to do with Mr. Moore.

Mr. CARNEGIE. But there were others. What had the National Tube Co. to do with it?

Mr. REED, Sr. Will the committee permit me to state?

Mr. CARNEGIE. I do not know how these steel mills were situated, as to the details.

Mr. REED. The National Tube Co. was independent. It was not affiliated with any concern. The National Steel Co. was Judge Moore's concern, that supplied the raw material for the sheet and tin plate and steel hoof business.

Mr. GARDNER. The National Tube Co. was regarded as one of the Morgan group, was it not?

Mr. REED. Yes.

Mr. GARDNER. The National Steel Co. was regarded as one of the Moore group?

Mr. CARNEGIE. Why was it regarded as one of the Morgan group—the National Tube Co.?

Mr. REED, Sr. It has been reorganized and financed through Mr. Morgan's office.

Mr. CARNEGIE. Now we are getting at it. I remember. I was afraid to state it until it was confirmed. The National Steel Tube Co.——

The CHAIRMAN. I do not want to interrupt you, Mr. Carnegie, but I think you can answer two questions at once, because I shall refresh your memory still further, so that you can tell me about the whole transaction.

Mr. CARNEGIE. I shall be delighted, Mr. Chairman.

The CHAIRMAN. I asked Mr. Schwab about it.

Mr. CARNEGIE. What do you want to ask me about it for, if you asked Schwab? [Laughter.] Let me see what Schwab said, and I will know what was done. It will refresh my memory at once.

The CHAIRMAN. All right. He did not remember it until I called it to his attention, and then he said he did remember it.

I read now from the minutes of the National Tube Co., from January 15, 1901, to date, containing all minutes of the said company:

Mr. Converse said that there were rumors that the Carnegie Co. is about to install and operate a tube works, with a capacity of 280,000 tons per annum.

Mr. CARNEGIE. That is from the minutes?

The CHAIRMAN. Yes. This is from the minutes of the National Tube Co., and shows what they were thinking about what you were doing:

Mr. Converse said that there were rumors that the Carnegie Co. is about to install and operate a tube works, with a capacity of 280,000 tons per annum.

During the 18 months this corporation has run there has never been a time when they could not have manufactured to advantage and profit material in competition with nearly all of the numerous industrial groups, including the Carnegie Co., but the policy of the management so far has been that, except forced by self-protection, this company would not displace a ton of its neighbor's product by entering any other lines than strict tubular works. It has rigidly confined itself to this principle up to this time. The Carnegie Co. is now enjoying trade in plates on ships at the rate of about 150,000 tons per annum with the National Transit Co., a department of the Standard Oil Co.

This is more than equal to any tonnage which the Carnegie Co. has ever made for tubular purposes. From this it will be seen that the Carnegie Co. interests have been protected through the care and friendliness of the Standard Oil and national companies, and under the full belief, warranted by the facts, statements, and circumstances, that such an arrangement would fully satisfy the Carnegie Co. in their ample demand for their full measure of steel tonnage for conversion into tubular products. In all of the arrangements between the National Steel, Republic, American Sheet Steel & Plate, and others of the industrial steel groups it has been the unwritten law that each group should confine itself to the fabrication of its own specialties and should voluntarily refrain from using constant surplus of mtaerial by the production of the special product of its neighbors. If this unwritten law is to be ruthlessly disregarded by the Carnegie Co., it will, of course, have a broader significance than the mere competition with our own products.

Mr. REED, Sr. What did Mr. Schwab say to that?

The CHAIRMAN. I asked him, "Did you know that?" and he replied, "I never heard of it." Mr. Schwab said he knew nothing about it.

I am asking you, Mr. Carnegie, if you remember at that time this protest of the tube company against your constructing that mill at Conneaut?

Mr. CARNEGIE. I never heard a word of it. If Schwab tells you that he was ignorant of it, I can not account for its being in circulation.

The CHAIRMAN. That was on the minutes of this tube company. That is what they did think about it. Why was it, do you know, that they were protesting so vigorously against your constructing those tube works? Could they not make tubes just as cheap as you could with that mill?

Mr. CARNEGIE. You must ask somebody else than me, Mr. Chairman. I can not conceive of it. All of this is new to me. I never heard of it before.

The broad way that I understood the thing was this: We furnished tubes for the National Tube Co. and they finished them; but they resolved to erect blast furnaces. This is the story as a remember it: They went on to erect their blast furnaces. Then, of course, they were able to make their own material, billets, etc. That is how they left us.

The CHAIRMAN. You say, "That is how they left us." You mean they left you without a customer?

Mr. CARNEGIE. Yes. They were not satisfied with manufacturing the bilelts into tubes. They wanted to make the whole thing through.

The CHAIRMAN. I see.

Mr. CARNEGIE. We had been looking for a site where we could put additional works, where we could extend; and it did not require

much consideration to let us see that if we, having that Conneaut Harbor, put a modern steel plant there, the ore would come there and be dumped from the boat right in the furnace yard. And Mr. Schwab drew plans. The mill was 1,100 feet long, and the ore stood there, and the coke was brought up from our own mines in the cars which had taken the ore down to our mills, and which would otherwise have returned empty; and there we stood, with the raw material there, and the finished tubes would come out here [indicating], with all new, modern machinery, no men hardly, all rolls conveying the masses without hand labor, and all that.

Mr. Schwab showed me that plan, just as he did the plan for the great plant for the open-hearth furnaces at Homestead, and I said: "Schwab, what difference can you make?" And he said, "Mr. Carnegie, not less than $10 a ton."

Of course, you must remember that the tube works were very old, and had been running for a long while, and this project of our was a total departure. So he said: "A difference of $10 a ton."

When the National Tube Co. left us and began to build furnaces for themselves, then we decided that we would build at Conneaut.

That was one reason. That was not the whole reason. I had a great desire to get into the manufacture of steel cars, because I saw that they were bound to supersede wooden cars, just as I saw that iron bridges were bound to succeed wooden bridges.

That was the situation. That is all I know of our relations to the National Tube Co.

The CHAIRMAN. You were in a position to make them for $10 a ton less than your competitors?

Mr. CARNEGIE. Yes. And I have talked to Schwab since about it, and he said: "Yes. I could have fulfilled my estimate there easily."

The CHAIRMAN. I find here in this report of Herbert Knox Smith: "Mr. Carnegie's personal view of the situation."

That is the tube situation.

Mr. Carnegie's personal view of the situation may be authoritatively stated as follows:

The National Tube Co. formerly obtained its steel billets from the Carnegie Co., but decided to erect blast furnaces and mills to supply itself. Naturally, the Carnegie Co. then announced that it would be forced to erect mills to finish its own products into tubes.

The intention of the Carnegie interests to extend their manufacture of finished lines had, indeed, been contemplated for some time. In an interview in the London Iron and Steel Trades Review, of May 12, 1899, Mr. Carnegie was quoted as saying:

This is from the New York Evening Post, January 21, 1901.

Yes, we have been erecting several new departments, including what I believe will be the largest axle factory in the world. Why, it may be asked, should steel makers make plates for other firms to work up into boilers when they can manufacture the boilers themselves; or beams and girders for bridges when they can turn out and build up the completed article; or plates for pipes when they can make the pipes?

I think the next step to be taken by steel makers will be to furnish finished articles ready for use. In the future the most successful firms will be those that go the furthest in this direction.

Mr. CARNEGIE. That prophecy has come true.

Mr. GARDNER. I want to ask Mr. Carnegie a question, if I may, Mr. Chairman.

The CHAIRMAN. Certainly.

Mr. GARDNER. In this Conneaut plant you proposed to smelt the iron and carry it through?

Mr. CARNEGIE. Oh, yes; we proposed to have great blast furnaces of the most approved style.

Mr. GARDNER. You were going to take the iron ore right off the Lakes and turn it into tubes and material for steel cars?

Mr. CARNEGIE. And listen: We had to take ore down to Pittsburgh—150 miles.

Mr. GARDNER. Yes.

Mr. CARNEGIE. The ore would be there at Conneaut, coming right off the Lakes. The cars would be coming back empty from Pittsburgh, and there are our coke works, and we would load our coke into those empty cars and take that fuel to Conneaut, and the difference between the cost of hauling that coke to Conneaut and hauling the empty cars back would be only a cent or two per ton; the difference between a loaded train of ore going down and an empty train of cars coming back for train service is only 1 cent. It costs 11 cents for train service coming down and 12 cents for the loaded cars going up. We would have had that tremendous advantage there. I wonder that the steel company, instead of going to Gary—this is my private opinion, not to be publicly spread; this is confidential [laughter]—I wonder that instead of going to Gary they did not do what we proposed. If they had spent half the money at Conneaut, according to our plans, instead of spending double at Gary, the steel stock would have been worth more than it is to-day. [Laughter.]

Mr. GARDNER. Let me understand what you just said about train service.

Under the old system it cost you 12 cents for hauling the ore—just for the car service?

Mr. CARNEGIE. For the train service—the locomotive, engineer, and so on.

Mr. GARDNER. The actual cost of running the train, without respect to the cost of the roadbed or interest on your money, and all that, but just the train service?

Mr. CARNEGIE. Yes.

Mr. GARDNER. It cost you 12 cents a ton from Conneaut to Pittsburgh, and 11 cents a ton to haul back the empty cars?

Mr. CARNEGIE. No——

Mr. REED, Sr. This was all prophetic.

Mr. CARNEGIE. They were all loaded cars.

Mr. GARDNER. In your proposition; yes. But before you thought of Conneaut, then you had to haul your ore down from Lake Superior to Pittsburgh at a train-service cost of 12 cents a ton?

Mr. CARNEGIE. That is what I was told.

Mr. REED. From Lake Erie to Pittsburgh?

Mr. GARDNER. From Lake Erie to Pittsburgh; yes, I should say. And hauling back the empty cars cost you 11 cents a ton over the same route?

Mr. CARNEGIE. Yes.

Mr. GARDNER. If you built your plant at Conneaut, it meant this: That your ore would be landed at Conneaut and would be converted into steel at Conneaut, instead of going all the way down to Pitts-

burgh. Meanwhile, you would be getting your coke from an intermediate point, to wit, Lorain?

Mr. REED. No; from Connellsville.

Mr. CARNEGIE. From our own coke ovens; from the Frick Coke Co.

Mr. GARDNER. From the H. C. Frick Coke Co. at Pittsburgh?

Mr. REED. Connellsville.

Mr. CARNEGIE. At Connellsville, which is in the Pittsburgh region.

Mr. GARDNER. You would be getting your coke in trains which in their northward trip would be full, and on their southbound trip would be empty?

Mr. CARNEGIE. Let me explain.

We had a great many blast furnaces at Pittsburgh, to which we had to take ore, you understand?

Mr. GARDNER. I see. So that you would have a full trip for the cars both ways?

Mr. CARNEGIE. Yes. We balanced the coke and the ore.

Mr. GARDNER. I see the idea. You would haul your coke north to Conneaut, and you would haul your ore for your blast furnaces to Pittsburgh?

Mr. CARNEGIE. Yes; and therefore the coke for Conneaut would cost us nothing, practically, for hauling.

Mr. GARDNER. I get the idea exactly. The transportation of it was so much clear gain, because you had to pay 11 cents, anyway, for those cars to return. Is that the idea?

Mr. CARNEGIE. Yes. And therefore we saved so much. We got our coke delivered at Conneaut for 11 cents, and we got our ore delivered at Conneaut a great deal cheaper than at Pittsburgh.

Mr. GARDNER. I see. You had a full trainload coming back, instead of having an empty train coming back, for which you would have had to pay 11 cents, anyway?

Mr. CARNEGIE. My dear sir, the railroad had to be maintained, whether the cars were going up empty or not. Do you get that point, Mr. Chairman?

The CHAIRMAN. All of them, and then some.

Mr. GARDNER. I thing I understand that; but I do not think you understand my question that I asked you a while ago. I think your counsel will explain.

The CHAIRMAN. As I understand, your road had to be maintained?

Mr. CARNEGIE. Certainly.

The CHAIRMAN. The same number of cars had to be run?

Mr. CARNEGIE. Certainly.

The CHAIRMAN. You had in each train a certain number of empty cars, and the only real additional cost, then, was the train service for moving these empty cars along with the other cars that carried ordinary freight. Is that it?

Mr. CARNEGIE. It was all clear profit. The railroad expenditures, the interest, the deterioration of the railroad, and all that was the same. But if you hauled an empty train north to Conneaut it cost you for service 11 cents, because the locomotives used a little less fuel hauling empty cars down than it did hauling loaded cars up.

The CHAIRMAN. I see. At that point, realizing these great advantages, you did not talk about that? That was not generally known, was it?

Mr. CARNEGIE. We did not publish it in the newspapers. [Laughter.]

The CHAIRMAN. It was not possible that Mr. Morgan or any of these people who owned the steel corporation ever knew that you had these big advantages, and that you had already got a site for that plant, was it?

Mr. CARNEGIE. I would not say what they knew.

The CHAIRMAN. Was anything ever said about this great steel plant that you were going to build and the tremendous advantages you had?

Mr. CARNEGIE. We bought the land, and that was known.

The CHAIRMAN. And you knew what you were going to do?

Mr. CARNEGIE. Yes; indeed we did. [Laughter.]

The CHAIRMAN. There has been some intimation that, even with your sanguine temperament, and your long experience, that the Carnegie works, like Napoleon at Waterloo, were face to face with a combination so extensive, manned by men so experienced, and sustained by resources so tremendous, with Judge Gary, for instance, in the Federal Steel Co., with Mr. Gates in the Steel & Wire Co., and with Mr. Morgan as godfather and titular head, that with their organization outside of the Carnegie Co. possessed sufficient power to have made it no longer interesting for you to have continued in the steel business; and that perhaps you escaped destructive competition by retiring from the field.

Was it possible for the Carnegie Co. to have met these combined forces?

Mr. CARNEGIE. Nonsense. [Laughter.] Why did Morgan send word to me that he would like to buy me out?

The CHAIRMAN. I understand that he was uneasy about the condition of your health, and gave that as a reason.

Mr. CARNEGIE. I was still able to take sustenance. [Laughter.]

Mr. BARTLETT. And you were able to take notice, too, I think.

Mr. CARNEGIE. There is a different story than that. But do not let us go into that. That is a good joke. Ask Schwab about that.

Mr. YOUNG. One gentleman expressed it in this way: He said that these gentlemen who organized the Steel Corporation were about to make a very fine plum pudding, and that they ascertained that Mr. Carnegie had all the plums. [Laughter.]

Mr. CARNEGIE. Gentlemen, it is a great pity that they approached me and asked if I would retire from business.

I had formed my career, and laid down the law to myself that I would not spend my old age in accumulating more dollars. I showed that when we got the offer of $320,000,000 for our property, and when Mr. Schwab came and sat down and showed me what he thought I could get, I said: "Schwab, it is just as my partners say. That is entirely satisfactory to me. It is all the money I ever want to make."

I did not realize then so fully that it takes a great deal more anxious thought and labor to distribute money wisely than it ever did to me to make it.

I do not like to be called a philanthropist. That means a man, usually, with more money than brains.

You can do more harm distributing money unwisely, and do more to pauperize people than you can do good, almost, in trying to assist them.

I never like to help anybody who has not helped himself. I never give a library to a community that will not maintain it. Every community does a great deal more for its library than I do. I consider that what one does for himself has ten times more value than all that another man can do for him.

The CHAIRMAN. Pursuing this inquiry a little further, Mr. Carnegie, because it is vastly interesting to me, I have often wondered what would have been the result if you had concluded to continue in the steel business.

I shall be frank with you. I believe if you had, and had the strength that you thought you had, and had determined to see who could produce the better and the cheaper, it would have done even more good for this country than if you had distributed in beneficences every dollar that you had.

Mr. CARNEGIE. That is pretty hard on a fellow who has worked so hard to distribute and acquired so easily.

The CHAIRMAN. I do not mean to underrate the good that you have done, Mr. Carnegie. I mean only to speak of my high estimate of the good that you would have done if you had followed that course.

Mr. CARNEGIE. Thank you. I am awfully glad. That will shed a ray of illumination around your signature in that picture they have in the newspapers. [Laughter.]

The making of money was so easy that, really, it did not bother me a bit. You see how I put all the work on Schwab and Reed and all these fellows, and I do not know anything about it.

The CHAIRMAN. With a very little knowledge of the steel business, this thing has been puzzling me. Take the case of the Federal Steel Co., for illustration. Mr. Gary was at the head of it, I believe. It was formed by the Morgan syndicate. I forget what the syndicate received. I think it was $16,000,000.

This company was formed in September, 1898, with $200,000,000 authorized capital stock, of which about $100,000,000 was issued. It was a merger, through stock purchase, of the Illinois Steel Co., operating several large steel plants in or near Chicago, and another at Milwaukee; the Minnesota Iron Co., which had extensive ore properties on the Vermillion Range, and which also owned the Duluth & Iron Range Railroad and the Minnesota Steamship Co., thus providing for the transportation of its ore from mines to lower Lake ports; also the Lorain Steel Co. and the Johnstown Co., of Pennsylvania, with plants at Lorain, Ohio, and Johnstown, Pa. The consolidated company also acquired the stock of the Elgin, Joliet & Eastern Railway, a line of some 180 miles, intersecting practically every railroad entering Chicago. This road directly served the Joliet works of the company and afforded connections with its other plants. The Illinois Steel Co. itself also controlled a railroad, the Chicago, Lake Shore & Eastern, which connected its various plants in and about Chicago.

Did you have the custom of the division of rates when you were in business? Did your roads make a division of rates with other roads—of through rates?

Mr. CARNEGIE. Surely.

The CHAIRMAN. These companies, intersecting every road that came into Chicago, had the advantage of getting their ore from their own boats and railroads, and had the advantage of making this division of rates with every road into Chicago. What railroad advantage had the Carnegie Co. that could compensate for this enormous advantage, even if you had constructed your roads to the sea-

board—to tidewater? Had you railroad facilities that could cope with those?

Mr. CARNEGIE. We were within 300 miles of the seaboard. We had the whole water route, everything, to New Orleans, and so on. We had the Ohio River.

You can load rails in a flatboat and send them down that way. We loaded them to Fort Benton without a transfer. You know how far Fort Benton is? We had great advantages in the Ohio River.

Then, Chicago had to get its coke from the Connellsville region, to pay the freights on carload coke—I think about $3 a ton. And, as I told you before, we never were in any doubt about our ability to maintain our position.

The CHAIRMAN. If you had stayed in the business would you have completed that road to tidewater?

Mr. CARNEGIE. I think not, because the Pennsylvania Railroad asked a conference with me——

The CHAIRMAN. I mean the last road you were surveying—the road to Baltimore?

Mr. GARDNER. To connect with the Western Maryland.

Mr. CARNEGIE. Oh, yes. I can not tell you what we would have done.

The CHAIRMAN. If you had completed that road, would you have had transportation facilities equal to those of the Federal Steel Co.?

Mr. CARNEGIE. I think that the Baltimore & Ohio Railroad Co. that ran through our works and the Pennsylvania Railroad that ran through gave us rates over their lines which would be satisfactory. I would not want to build a new line.

The CHAIRMAN. But the Federal Steel Co., through the Chicago, Lake Shore & Eastern and through the Elgin, Joliet & Eastern, could get divisions of the freight rates that were very advantageous from every road entering Chicago north, south, east, or west.

Mr. CARNEGIE. Why would not the Pennsylvania Railroad and the Baltimore & Ohio give us the same?

The CHAIRMAN. Had you a connecting road with all those lines by which you could get divisions of rates?

Mr. CARNEGIE. The Pennsylvania Railroad ran through our works, alongside of the Braddock works, for miles.

The CHAIRMAN. You do not catch my point, Mr. Carnegie. If you delivered your tonnage to the Pennsylvania Railroad or to the Baltimore & Ohio Railroad, passing your traffic directly from your mill to the Baltimore & Ohio or to the Pennsylvania Railroad, you could get no division of the rate, because they would have the entire haul. You had no connecting line.

Mr. CARNEGIE. Oh! You mean they would not have called that a connecting line? Then, if I had a connecting line, I would have had to maintain it and pay the cost of transportation.

The CHAIRMAN. Yes.

Mr. CARNEGIE. I do not see that that is much advantage. It is a very small advantage, is it not?

The CHAIRMAN. Take the works at Joliet, for illustration. I understand there is a road, the name of which I do not remember, that runs within 3 miles of the steel works there at Joliet. It is 600 miles from the point of junction to Kansas City. The United States Steel

Corporation to-day delivers a carload of freight at that point of junction there, which is 3 miles from the Joliet works, to the line of the nearest carrier. The initial carrier carries the freight 3 miles, the connecting line carries the freight 600 miles, and the steel company gets 20 per cent of the through rate. You see what that would be with thousands of tons of material.

Had you any such advantages as that at Pittsburgh, or any such connections?

Mr. CARNEGIE. I do not think I would have given our road to the lake that we owned for all you have talked about.

The CHAIRMAN. And if you had constructed the other road, would you have been in a position to have protected yourself against any rate that the Baltimore & Ohio or the Pennsylvania might have made?

Mr. CARNEGIE. That depends upon the arrangement we would have made. We did not begin. We figured about it. I think we should have taken good care of ourselves in the contract. Judge Reed would have looked out for that—and Mr. Knox. [Laughter.]

The CHAIRMAN. The Moore companies were, a great many of them, finishing companies? What were the Moore companies?

Mr. REED. The sheet steel, the steel hoop, and the tin plate.

The CHAIRMAN. These companies had the means of obtaining their own semifinished products. If the Moore companies had gotten their raw materials from their own blast furnaces, and the Federal Steel Alliances had gotten theirs from their own blast furnaces, could you have withstood both the house of Morgan and the house of Moore, if they had gone into combination?

Mr. CARNEGIE. We could have beaten all comers. It never bothered us a minute. We never lost a moment's sleep on anything like that. We had supreme confidence in the horse that we had entered for this race.

The CHAIRMAN. Here is a statement that is almost that strong, but I was afraid that Mr. Smith was romancing—that he had overestimated.

Mr. CARNEGIE. Is Mr. Smith the Government assessor?

The CHAIRMAN. He is the commissioner. He says, on page 86:

The Carnegie interests had, by the beginning of 1900, became very strongly intrenched with respect to the reserves of all the principal raw materials. The company had assured itself of a long-term supply of very desirable ores in the lake region. Most of its acquisitions had been acquired by lease and had involved comparatively small initial outlay, the bulk of the cost being paid in yearly installments in the form of royalties as the ore was actually produced. With respect to coal and coke property, the Carnegie interests, through the H. C. Frick Coke Co., had made very extensive purchases long before the era of extension. On the reorganization of the Carnegie interests in 1900 the H. C. Frick Coke Co. held 40,000 acres of coking-coal lands in addition to a large amount of surface lands, about 11,000 coke ovens, aside from a large amount of mine equipment, dwellings, and miscellaneous property. The coking-coal lands owned by the Frick Co. formed one of the most valuable assets of the Carnegie concern. The Carnegie Co. also had very valuable natural-gas properties in the vicinity of Pittsburgh. While the company did not control the transportation of its ore by rail from mines to the head of the Lakes, as did the Federal Steel Co., it acquired a fleet of six lake ore vessels in 1899 and rapidly added others, so that by the end of 1900 it was in a position to transport a very considerable part of its ore down the Lakes in its own boats. Moreover, as early as 1896 the Carnegie interests had acquired the Shenango & Lake Erie Railroad, running from Conneaut to Pittsburgh, and also the Butler & Pittsburgh Railroad, then under construction, both of which were consoli-

dated in the latter part of 1896 as the Pittsburgh, Bessemer & Lake Erie Railroad.

Immediately upon the acquisition of these railroads the Carnegie interests virtually reconstructed them, with a view to effecting the transportation of ore at a minimum cost. The size of the equipment, both engines and cars, was enormously increased, bridges were strengthened, and the road in large measure rebuilt. The most modern methods of unloading ore from steamers to cars at the docks and from the cars to furnaces at Pittsburgh were introduced. The result was a very pronounced increase in the average trainload and a marked reduction in transportation and handling costs per ton.

It is well worth repeating that the Carnegie interests long before this had owned the Union Railroad, a belt line in the Pittsburgh district, which added greatly to the efficiency of their plants.

The chief business of the Carnegie concern was the manufacture of heavy steel products, such as steel rails, plate, axles, structural steel and bridge material, and various kinds of crude steel for the trade. Its annual capacity of ingots was about 3,500,000 tons, and its capacity of finished products rather more than 3,000,000 tons, thus placing the company well in advance of its largest competitor, the Federal Steel Co., with respect to size. Its ingot production in 1900 was about 18 per cent of the company's total. It conducted every stage in the manufacture of its various products from the production of the raw materials up. Generally speaking, the Carnegie interests, up to the date of the organization of the New Jersey company, had confined themselves largely to the manufacture of heavier steel products of the character just described. Many of its best customers were manufacturers of finished steel, such as wire products, tubular goods, tin plate, and sheet steel. The company was, however, in a position to engage at short notice in the manufacture of more highly finished products, a fact which, as shown later, proved to be an exceedingly important consideration in bringing about the organization of the United States Steel Corporation.

Is that statement correct, Mr. Carnegie?

Mr. CARNEGIE. It is delightful reading. It serves to confirm you in all that I have said, does it not, Mr. Chairman?

The CHAIRMAN. Yes.

Mr. CARNEGIE. That should be a great satisfaction to you and to me.

The CHAIRMAN. No. I was rather inclined to doubt it. I was inclined to suspect that you did not have that advantage over the Federal Steel Co. which Mr. Smith thinks you had. I desired to know what you thought about it.

Mr. CARNEGIE. Do not let us waste time on that. Whether we had or had not, we had the great pleasure of thinking we had; and if the other parties thought they had, so much the better. It is a question that never can be solved, because we retired from business.

The CHAIRMAN. I have here an extract from a letter from Mr. Carnegie to Mr. George Lauder, of January 14, 1899.

Mr. CARNEGIE. That is my cousin; a very valuable man. He was at the head of the mechanical end.

The CHAIRMAN. In that letter you say:

I am certain that in two years hence we shall be on the basis of $25,000,000 net yearly, even at low prices.

We have to supply the world—note last week's British advices; less ore this year than last from foreign points; great scarcity; prices wild; coke put to 15 shillings and 6 pence at works, best grade; bad to get at that; near $3.75 per ton, and scarce. Impossible to increase supply of either coke or ore.

Since we reach Atlantic ports at $1 per ton, we have the trade of the world.

Are you still of that opinion, Mr. Carnegie? That was your letter to Mr. George Lauder. Have you changed that opinion since?

Mr. CARNEGIE. Wait a minute. I would like to look over that and recall some of the conditions.

The copy of letter referred to was handed to Mr. Carnegie.

Mr. CARNEGIE. I never saw this letter before. Where was it written? It does not say where it is from.

The CHAIRMAN. From England, I believe.

Mr. CARNEGIE. You see what an enthusiastic man I was there, writing to my absent partner in England; and it does not say where I am writing it from.

How could this sort of letter have come into the hands of the committee?

The CHAIRMAN. Oh, people hand me all sorts of things.

Mr. CARNEGIE. It is very strange.

Mr. YOUNG. Did that come out of Mr. Bridge's book?

The CHAIRMAN. I think so.

Mr. CARNEGIE. I do not remember anything about it. I have no doubt this is true. That is what I thought then; that it would be on a basis of $25,000,000, even at low prices. I think that estimate was fully justified, was it not?

The CHAIRMAN. Yes. I am frank to say that I believe you would have captured the trade of the world if you had stayed in business. I am asking if you think so now?

Mr. CARNEGIE. I am as certain of it as I can be certain of anything.

I was a most optimistic young man then—not so very young, either—but I have always felt that all my ducks are swans [laughter], and I believe that has a great deal to do with the success we have had. Trust the Republic—trust the "triumphant democracy"—and you will win.

The CHAIRMAN. Mr. Smith said again—I do not mean to approve what he says, because he and I may differ:

> It was clear to everyone that no consolidation of this sort could be made successful unless it included the Carnegie company, which was the most powerful factor in the situation, which had long been noted for aggressive tactics, and which, as shown above, had precipitated this crisis. Moreover, there can be little doubt that many interests in the steel industry regarded Mr. Carnegie's personal influence as a menace to their success and desired to secure his retirement from the trade.

That is, your ability to sell your product in the tube mill which you projected for $10 a ton less, for example, and things of that sort?

Mr. CARNEGIE. I did not do that, did I? Did we ever do that without having to?

The CHAIRMAN (continuing reading):

> At the same time, the enormous earning capacity of the Carnegie concern would be an exceedingly important consideration both in the profits of the new company and also in facilitating the flotation of its securities.
>
> The primary solution of the situation, therefore, from the standpoint of these interests, was to buy out Mr. Carnegie.

Then it goes on to say, generally, that it was realized that that would be an extremely expensive transaction, which would require the cooperation of leading interests.

Do you think that statement is correct? Do you agree with Mr. Smith in that statement?

Mr. CARNEGIE. About our power to go on? Yes. Oh, I do not think he even does us justice. [Laughter.]

But I never saw Mr. Morgan or had a word with him, and I can not tell you what he thought.

The CHAIRMAN. You were speaking of building your railroad to tidewater. Do you remember your effort to get the Wabash-Pittsburgh Railroad into Pittsburgh?

Mr. CARNEGIE. That is, the time I went to George Gould?

The CHAIRMAN. No, sir. It is the Wabash Terminal Railroad that I am speaking of. That is the name of it. The Wabash road ended at Toledo. They built this road, which was to be the terminus of the road whenever they got from Toledo to Pittsburgh; but Mr. Gould ran afoul of Mr. Morgan and he never completed his road, and there stands the terminal to-day, with no connection with the railroad which it was intended to be a part of, as I understand it. That is correct, is it?

Mr. CARNEGIE. Quite true, too.

Mr. REED, Sr. The Wabash Terminal has built a connection with the Wheeling & Lake Erie. The western connection was made, but the connection east was never completed.

The CHAIRMAN. This is known as the Wabash Terminal Railroad?

Mr. REED, Sr. Yes. It is in the hands of a receiver.

The CHAIRMAN. The Carnegie Co. made a contract with this Wabash Terminal Railroad Co. for a certain percentage of their tonnage for 25 years, I believe?

Mr. CARNEGIE. I can not remember the details.

The CHAIRMAN. What was that contract, and why was it made?

Mr. CARNEGIE. As an inducement for him to come to Pittsburgh.

The CHAIRMAN. Why did you want him to come to Pittsburgh?

Mr. CARNEGIE. For the reason I have been fighting for all my life——

The CHAIRMAN. Was it possible to ship any great amount of freight over the Wabash Terminal Railroad, if it should have been connected?

Mr. CARNEGIE. He intended to go on to the West, and he had a line reaching to the Pacific coast, I think. The Gould railroads had a system of railroads, an extensive system of railroads, that we would have had access to. Mr. Gould, you know, had one of these lines which is now, I think, in trouble, away out in the West.

The CHAIRMAN. By the building of the Wabash Terminal in there, by means of the protection and assistance of the Carnegie Co., enabled you to reach all points west and south? Was that it?

Mr. CARNEGIE. I think it would have done so at one point or another. He would have connected his system with the South. It was a great project.

The CHAIRMAN. I will ask you about another thing, and this is a matter which I am sure will deeply interest you, not as a philanthropist, I will say, but as a man who wants to make the world happier and better——

Mr. CARNEGIE. I begin to dread this question that is coming, Mr. Chairman. [Laughter.] But go on. You have a sweet smile. I do not know what is coming, however.

The CHAIRMAN. Something sweet. [Laughter.]

Mr. CARNEGIE. Oh, thank you.

The CHAIRMAN. At one time the Homestead works were operated, as I understand, eight hours a day; by eight-hour labor, and you worked three shifts?

Mr. CARNEGIE. In the blast furnaces?

The CHAIRMAN. Anywhere.

Mr. CARNEGIE. You will have to ask Charlie Schwab. I had nothing to do with this thing.

The CHAIRMAN. I have here a copy of a letter, an excerpt from a letter, which I believe was written by Capt. Bill Jones. You remember him?

Mr. CARNEGIE. I can never forget him. The most remarkable character we ever had, Schwab not excepted.

Capt. Jones went into the Army a private and came back a captain. We wanted a manager for the Bessemer works, and he came down from Cambria and we employed him.

I said to him one day, "Captain, there are partners in the Pittsburgh office making twice as much money as you are making here. I want to make you a partner. We have agreed to do it. You will be a millionaire." He said, "Look here, Mr. Carnegie, that is very kind of you, but I don't want any interest in the business. I've got enough to do with these works. You just give me a ——— of a salary"—I will not put in the word the captain used. He was very, very emphatic sometimes.

I said, "All right, Captain. The salary of the President of the United States is yours." "Ah, that's the kind of talk." And it was made so, and more than that, because he was worth more than that, a great deal more.

I went to the Bessemer Steel Association meeting one day in Philadelphia, the annual meeting. I had attended the Bessemer Association meetings because it was near my office in New York, and the president of the Cambria Iron Co., Mr. Townsend, said to me, "Look here! You will ruin this steel business of ours. The idea of your giving Bill Jones, that was one of the Cambria workmen, a bigger salary than I get or that Felton gets. What do you mean by ruining the steel business?"

I said, "Townsend, it is so."

Mr. Felton was there, too, and I said, "Yes, gentlemen, I have made an awful mistake. But can you tell me where I can get another Bill Jones for double the money?" And they could not do it.

The CHAIRMAN. Was he a good man to handle men?

Mr. CARNEGIE. Oh, the grandest fellow. They loved the captain.

The CHAIRMAN. Did he love his men?

Mr. CARNEGIE. Oh, they all admired him. Oh, yes; he was not as suave as Charlie Schwab.

Mr. REED, Sr. What is the date of that letter?

The CHAIRMAN. May, 1881.

Was he a man who had a practical knowledge of how to get the most work out of a man without hurting the man or hurting the business? Was he a man who was good at solving a problem like that?

Mr. CARNEGIE. I think they were all devoted to the captain. He was emphatic at times, undoubtedly.

The CHAIRMAN. Was he a practical business man, who knew how to work the human machine to the greatest advantage? I do not mean cruelly or heartlessly, but he was not a mere sentimentalist; he was a practical man, who knew how to get the most work out of the men without injury to the men or the business?

Mr. CARNEGIE. There was one qualification about the captain. He was not educated. He was not an educated man. He was the best manager of men of the old type that I have ever known. It was under him that I put Charlie Schwab.

Charlie Schwab's father kept a livery stable in the Allegheny Mountains, where we spent our summers, and had a cottage, and I met Charlie Schwab there. He played the piano then. I looked at the boy, thought he was extraordinary, and asked him to come down there, and put him under Bill Jones, and he succeeded Jones.

The captain died. There was an explosion of a blast furnace, and it was a terrible blow to me when I went to his funeral.

The CHAIRMAN. He was a strong sensible man, a man of great common sense, practical sense?

Mr. CARNEGIE. Oh, yes; given to violent outbursts occasionally, it is true.

The CHAIRMAN. In this letter of May, 1881, he says:

In increasing the output of these works I soon discovered it was entirely out of the question to expect human flesh and blood to labor incessantly for 12 hours, and therefore it was decided to put on three turns, reducing the hours of labor to 8. This seemed to be of immense advantage to both the company and the workmen, the latter now earning more in 8 hours than they formerly did in 12 hours, while the men can work harder constantly for 8 hours, having 16 hours for rest.

Mr. CARNEGIE. Beautiful!

The CHAIRMAN. Beautiful. Was it true?

Mr. CARNEGIE. I have not the slightest doubt of it. Certainly.

The CHAIRMAN. Would it be better now if all the steel companies in the United States should work their men 8 hours instead of 12?

Mr. CARNEGIE. It is strange that the last time I saw Schwab we were talking about that thing, and what he says is the greatest difficulty—that he can not get his men to agree even to put in men at blast furnaces on 8 hours. We were trying blast furnaces on 8 hours, and I think we were to pay them two-thirds of all the loss, and give them 8 hours a day instead of 12. We would have lost money by it at first, but I felt that it would be better in the long run. They tried it for awhile, but they preferred to come back to the other plan.

Of course, in blast furnaces it is not continuous work. A man fills his furnace, and sits down an hour or so, and gets a rest.

The CHAIRMAN. Quite true.

Mr. GARDNER. You say "we." Do you mean the Bethlehem Steel Co. or the Carnegie Steel Co.?

Mr. CARNEGIE. That was at Bethlehem, Mr. Schwab and his own men at Bethlehem.

Mr. GARDNER. You said "we" just a moment ago.

Mr. CARNEGIE. We tried it at the Edgar Thompson works, and the men preferred to work the 12 hours. It is not the same as if it were continuous work.

It is astonishing what can be done with this new machinery, the new mills at Gary, for example. I have not seen them, but I have had them described, and they work three turns there, eight hours a day each, and the men turn out over 300 tons a day—I think it is 1,400 tons of rails in the 24 hours.

The CHAIRMAN. If the blast-furnace men work 12 hours a day, that blast furnace must be tapped at regular intervals, must it not?

Mr. CARNEGIE. At regular times; yes.

The CHAIRMAN. At regular intervals of a certain number of hours; and then that molten metal is withdrawn?

Mr. CARNEGIE. Yes.

The CHAIRMAN. When that hot metal is withdrawn and goes from the blast furnace into the ladle, can it be left there for 12 or 15 hours?

Mr. CARNEGIE. For 12 or 15 hours?

The CHAIRMAN. Yes.

Mr. CARNEGIE. No. It could be left there for a while.

The CHAIRMAN. How long?

Mr. CARNEGIE. I could not tell you. You must ask the mechanics about that.

The CHAIRMAN. Is it possible to work your blast furnaces for 12 hours and work the rest of your men for 8 hours in a steel mill under the existing physical conditions? I am asking for information, because I realize the physical conditions around the blast furnaces.

Mr. CARNEGIE. The men who work at the furnace and fill it, fill it and have a rest. They do not need to fill it until it is burned out again.

The CHAIRMAN. I understand. They must be there. You do not apprehend what I mean.

You have blast furnaces working 12 hours a day, we will say. If you made pig iron, you could work your men 12 hours a day in the blast furnaces and go and get the pigs whenever you wanted to convert them into steel. But under this process your iron never cools from the time it comes out of the blast furnace until it is put upon the market as a finished product. Is not that true?

Mr. CARNEGIE. Certainly. The furnaces have to be tapped at a certain time.

The CHAIRMAN. Yes. When they are tapped, and that molten metal is taken out, it must be handled, in this chain of developments. Therefore, if the blast-furnace men are working 12 hours, do not they keep all the rest of them there 12 hours?

Mr. CARNEGIE. You are asking me a question about mechanics. You would have to ask a mechanician about that. I am not able to give you answers to these questions.

The CHAIRMAN. I would like to ask Mr. Reed that. I am asking for information. I know that these blast furnaces must be run all the time; there is no question about that; but where is the point in the evolution of steel, given a blast furnace running all the time, with 12-hour shifts, that you can stop the 12-hour shifts and commence with the 10-hour-day shifts? You do do it, I know. At what point can you do that?

Mr. REED. You can put any part of the steel works or blast-furnace works on an 8-hour day by getting half as many more men, of course.

Your blast furnaces, having to run all the time, have to have shifts covering the 24 hours.

The CHAIRMAN. I see.

Mr. REED. But you can take that metal out and throw it into your mixer, which will hold 250 tons, and will retain the heat for a considerable period; or you can turn it into your casting hold and make a cold pig of it.

The CHAIRMAN. Here is my idea of it: You have men working 12 hours a day at a furnace; you can not have them work 10 hours a

day because you get your shifts all mixed up, men coming at one time and going out at another. You must have them work 8 hours a day or 12 hours a day. Is that correct?

Mr. REED. Yes.

The CHAIRMAN. Say that you can not afford to put on three shifts. If you are working on cold material, which they can lay down and take up again the next day, you can put them on 10 hours a day or 8 hours a day, or 12 hours a day, and it makes no difference. There is not that continuous performance or relationship between the shifts.

Mr. REED. Yes.

The CHAIRMAN. In your hot steel, where is it you can stop? As I see it, when your hot metal comes into your ladle that ladle has to move, because there will be some other ladles behind to be filled, and when that ladle gets over here to your furnaces, whether they are open-hearth furnaces or Bessemer, it must go into the furnace; and when the time comes it must go into the ingot molds, and when those ingots are sufficiently cooled they must go into the rolling mill, and when they start into the rolling mill they can not stop until they come out as the finished product. Is that correct?

Mr. REED. Yes.

The CHAIRMAN. Does not that necessitate a 12-hour day all the way through? If not, where can you put in your 10-hour men?

Mr. REED. You can do it first by letting the metal get cold. That is what they do in order to avoid Sunday work as far as possible. You can not shut your blast furnace down Sunday——

The CHAIRMAN. And that is the only way to stop?

Mr. REED. They cast it into pigs. That is the only way to stop the works on one day.

The CHAIRMAN. All the men that work at the ingots work 12 hours a day—the men that handle these ingots—do they not?

Mr. REED. You understand that the iron can be dumped from the blast-furnace ladle into the mixer, and its heat can be retained there easily for 8 hours.

The CHAIRMAN. I see.

Mr. REED. You can change your shifts—your men—at that time if you have enough mixer capacity.

The CHAIRMAN. Do the men who work at the rail mill and the men who work at the furnaces work 12 hours a day or 10 hours a day in the majority of the mills?

Mr. REED. I think the 10-hour day is in force around Pittsburgh.

Mr. GARDNER. At Gary you use three shifts on your blast furnaces, do you not?

Mr. REED. There was an effort made at Gary to shorten the hours of labor. I do not know what they have worked out.

Mr. GARDNER. They have not put on the three-platoon system for their blast furnaces?

Mr. REED. Not all through. We can get that information if you desire it. I shall be glad to get it if you want it.

Mr. GARDNER. I had understood that there was something like that being tried at Gary.

Before you get away from that subject, Mr. Chairman, I would like to ask a question or two.

The CHAIRMAN. Certainly. Go ahead.

Mr. GARDNER. Mr. Carnegie, I am not guaranteeing anything that I am reading, but I would just like your explanation of this:

Jones's praiseworthy effort to amend the lot of the laborer was afterwards found to put the Edgar Thomson works at a disadvantage with competing establishments where two 12-hour turns were the rule; and an effort was made in 1887 to induce the Edgar Thomson men to return to the old system.

You said that the men did not like to get away from the 12-hour system because they lost. You assumed two-thirds of the loss, and they probably wanted to earn the most money they could?

Mr. CARNEGIE. We tried out the blast furnaces on that plan, I remember. I do not know about the mills. But I remember that we were very anxious to lighten the load of the blast-furnace men.

Mr. GARDNER. This is before the strike of 1887 that I am speaking of.

Mr. CARNEGIE. I do not remember.

Mr. GARDNER. I continue to read:

An effort was made in 1887 to induce the Edgar Thomson men to return to the old system. At the same time a sliding scale of wages was proposed, similar to that which had been found successful in the North Chicago rolling mill and in the Crescent Steel Works of Pittsburgh. The men were willing to accept the sliding scale, but they were unwilling to return to the 12-hour system. The usual strike resulted.

Do you remember anything about that?

Mr. CARNEGIE. No. As far as I know there was never any basis for that.

Mr. GARDNER. You remember meeting a committee of the laborers at the Windsor Hotel, in New York?

Mr. CARNEGIE. Oh, yes; but that was the time that we introduced a three years' contract with them to try the experiment that I told them would redound so much to their advantage.

Mr. GARDNER. It says the men after their meeting with you returned and:

On their arrival at Braddock they promptly repudiated the agreement they had signed and continued the strike.

What does that mean?

Mr. CARNEGIE. I will tell you that story. I remember that, because I had a principal part in it.

There were 154 men engaged in the converting works who signed an agreement for the year.

You must remember that the Amalgamated Association in Pittsburgh had yearly agreements, and every year we had trouble about what was to be the understanding for next year.

They broke their contract and threatened to abandon the furnaces—to quit.

I said, "I will go out there to-night and be there the next morning."

I went out and got on the field at Braddock the next morning. Capt. Jones had freight cars ready and was going to board men.

I said, "Captain, I have never agreed to a strike in my life, and I will never have a strike as long as I am connected with business. I want you to bring a committee of the Amalgamated Association of the converting works and of the rolling mill and of the blast furnaces here."

And the committees came up.

Mr. GARDNER. Where was this that they came?

Mr. CARNEGIE. At Braddock works, on the ground there.

Mr. GARDNER. This was in 1887?

Mr. CARNEGIE. I can not tell you.

Mr. GARDNER. It was the time before the Homestead strike; five years before the strike.

Mr. CARNEGIE. I can not tell you the date. I will tell you the occurrence.

Mr. REED. It was about that date.

Mr. CARNEGIE. It was about that date.

They were all sitting there, their committees, and I said, addressing the foreman of the mill: "Have we an agreement with you?" "Yes, sir. You can not make us break it." "There speaks American labor."

I asked the leader in the other works, the other department, about the matter. He was an old gentleman with spectacles. You know, I have gone over this story so often in my mind that I can see the picture of it. He put on his spectacles and I said: "Have we an agreement with you?" "Yes. Mr. Carnegie, when it was presented to me I read it over very carefully, and if I liked it I signed it, and if I did not I did not. But if I signed it I keep it."

"There spoke American labor. I am proud of you."

"Mr. Kelly, have you an agreement with us?"

That was the blast-furnace branch, that had stopped, you know.

"Mr. Carnegie, they presented a paper to me. I did not understand what was in it when I signed it."

Then Capt. Jones said: "Billy, you know I read that twice over to you."

I said: "I have signed many agreements and papers that I have not read, that I have had faith in because my partners signed them; but if ever I have got into an agreement that I have signed I have always thought it my duty to live up to that agreement, and to be more careful the next time, if it was not advantageous to me."

I believe in labor. I have never had a strike. I was in Europe, and I never heard of the Homestead strike until days after it was over. Then I held up my hand and said, "Gentlemen, you have asked me for an answer by 4 o'clock, and it is not 3, but your answer is ready. I will never do such injury to the cause of American labor as to be a party to a transaction with men who repudiate their agreements. Go. These mills may rot, and I may lose every dollar I have. That is your answer."

A man was coming in with a message to us and he struggled through the crowded grounds, and he said: "Mr. Carnegie, as I saw this man coming out I heard some other men moving across the hall to get at them in the crowd, and I heard one man say to the other, 'Look here, Kelly, you fellows might just as well understand it. There is to be no monkeying around these works.'"

The men were all waiting at the furnaces to hear what Kelly had to say. "Go to work, you spalpeens. Begorra, the little boss just hit from the shoulder. He said he wouldn't have a strike. He wouldn't fight, but he would sit down. And, begob, we all know he will be a skeleton before he rises."

That is what Kelly told his men.

And I did American labor more service there than you can imagine.

Mr. GARDNER. But you had no strike at that time, you say?

Mr. CARNEGIE. Not at that time. There is another time——

Mr. GARDNER. The time I am speaking of is in 1887.

Mr. CARNEGIE. Now, I will give you that one. But I am not so clear about the details of that.

Mr. GARDNER. I am speaking of the first time the Pinkerton guards were ever employed at your works.

Mr. CARNEGIE. My dear sir, Pinkerton guards were never employed, except when I was away in Europe.

Mr. YOUNG. He was in Scotland.

Mr. GARDNER. Not at this time that I am speaking of, in 1887.

Mr. CARNEGIE. We had to make a rule every year. The men had a great injustice. Men do not know the market. They do not know what prices we are getting for rails, and very often it takes them months and months—the Amalgamated Association—sitting down and talking about a strike, and everything like that; and we are getting high prices for rails. By the time they ask for an increase of wages we are able to show how low they have gotten, and so on.

I said to them this, "Let me give you a point for labor. You make a contract for us for three years, until you test this. I want you to appoint a committee of three of your workmen, and they will come to the office and they will be shown what we get for rails, and your wages will be based on that price; and wherever we get a dollar a ton additional in price your wages will go up and you will gain a great advantage, because your wages will go up; and when the price goes down your wages will fall, and you will be in the same boat with your employers."

They took it up and considered about it, and I left for New York. I said, "That is all. There will be no strike, gentlemen. We will never try to fill our works with new men, for two reasons: First, we never could get such men as you are. It is the scallawags that are idle and looking for work when there is a strike. Do not be alarmed. No one will ever have your places here. We like you too much."

They came to me, a committee, at New York, and they came in——

Mr. GARDNER. That is the time I mean, when they came to you at New York.

Mr. CARNEGIE. That was very interesting.

Up came a card by the servant, "So-and-so."

I said, "Will you ask them if they have acted on my proposition?" And they sent up word, "No."

They had a minister with them; I forget his name. They sent up word, "No; they had not."

I said, "I told them I would not see them again. You must tell them that I meant what I said."

He went down to tell them that, and I said, "Well, the poor fellows; I will see them." I brought them in, and I said, "Now, gentlemen, you know I can not talk with you about the matter. I have told you that I can not do it." And I said, "Come along and take a walk."

And I took them out to Central Park and took them around, and Mrs. Carnegie prepared a fine luncheon for them, and we had a nice time together. And then they went home. And they told the men, "The boss means it; he would not see us."

Then I got an invitation to come out there and see them, and I went out there and I met them. There was a great big man called McGuffey that Capt. Jones told me was at the foundation of all this. He kept a liquor saloon, and the men were in debt to him. He was a bully. I was sitting at one end of the table and he sat at the other end, and the men were around. I said, "Gentlemen, here is the program that we propose for you; and that is what I have to say to you. There is what we wish you to try. It will be for your advantage. I guarantee that you will all like it better than anything you have ever had."

This man McGuffey put on his hat to go out—this bully. I said, when he was putting it on, "McGuffey, kindly remove your hat. You are in the presence of gentlemen."

And I kept my eye on him. He knew that if he took off his hat he would not have much influence over the men at that meeting and if he put it on he would have to go out. And he slowly put his hat down.

I went along, and they agreed to what I said. They were all satisfied to try it.

Then the leader of the association—the union—said to me, "Mr. Carnegie, we want you to do us a great favor. We want you to let the union officials sign this agreement."

I said, "Why, certainly. Every one of you take a long page and every one of you sign it. And, now, since I have pledged you, I have a little request to make of you. This is for three years. Your Amalgamated Association only covers one year, and some of your men might say you had no authority to sign. So I will ask you kindly to all sign for me."

And I heard this man turn around any say, "Begorra, the jig is up."

They accepted it and signed it. And, gentlemen, that same agreement is running to-day to the entire satisfaction of the men, and they have never had a particle of trouble.

Mr. GARDNER. Then you did not have any strike on that occasion?

Mr. CARNEGIE. Oh, yes; they stopped.

Mr. GARDNER. I will read you a sentence:

The works were closed, but there was not an outbreak, or anything—

This is from a book that I know does not meet with your approval, and probably does not in the least do you justice, but at the same time there is documentary evidence in it that is of value. I refer to Mr. Bridge's book on the history of the Carnegie Steel Co.

Mr. CARNEGIE. I might tell you something about Bridge. [Laughter.]

Mr. GARDNER. Very possibly; but I am trying to get information. He says:

Under the protection of Pinkerton guards—

This was in the end of 1887—

the works were then put in operation by nonunion men.

That is, directly after you had gone to Atlantic City, after this meeting in New York, according to this account—

The usual disorders took place, resulting in a slight loss of life, but eventually the contest was won by the company. The struggle lasted from December, 1887,

till May, 1888. Thus ended the eight-hour day in a night of sorrow and suffering.

Were Pinkerton guards employed at that time?

Mr. CARNEGIE. I never heard of such a thing. The men accepted, and I left for New York. I never heard of it, and I do not believe it.

There were guards at Homestead, of course.

Mr. GARDNER. Were you at Atlantic City?

Mr. CARNEGIE. I had been there.

Mr. GARDNER. During this time, were you kept in close touch with your cousin, George Lauder, who has been mentioned this afternoon?

Mr. CARNEGIE. Not in close touch.

Mr. GARDNER. So that those Pinkertons were engaged without your having knowledge of it?

Mr. CARNEGIE. They were engaged without my knowledge. I never heard of it until now, as far as I remember.

We would have no use for Pinkertons. We had no new men. It was our own men coming back. That is a sure blunder.

You will see that point. It was our own men, all coming back.

People have said that I broke up the union. I gave the union officials the right to sign the paper, and they did. And then I asked the men to sign. And that agreement is running now, gentlemen, and it has never been touched.

It is astonishing what you can do for workmen when you get their confidence. I have never had any trouble with them.

Mr. GARDNER. This book says that—

Under the protection of Pinkerton guards the works were now put in operation by nonunion men.

Mr. CARNEGIE. At that strike?

Mr. GARDNER. Yes. I know nothing about the accuracy of this, of course.

Mr. CARNEGIE. I have never read the book, and would not read it or have anything to do with it; nor have I made any reply to it.

Mr. GARDNER. Do you testify that Pinkertons were never employed in your company prior to 1892, at any strike?

Mr. CARNEGIE. To my best knowledge and belief, I never heard of such a thing. And, of course, I did not know that they were employed at Homestead, at the time.

Mr. GARDNER. Mr. Chairman, this, I will admit, is extraneous to our instructions from the House, and if anybody objects to my going on, since we have introduced the labor question, I will stop. I had no intention of doing it, because I think it is raking over old scores.

Mr. REED, Sr. We do object to that, because it is hardly fair to Mr. Carnegie.

Mr. GARDNER. I confess I think it was an omission—and I do not say this in any demagogic sense—that we were not instructed in the resolution to inquire into the labor question. I think we should have been so instructed, but we were not instructed to do so; and, on objection, I will withhold any further questions on that situation.

The CHAIRMAN. I think, under the cost of production and under a good many things, this general resolution probably covers it. We discussed it in the Rules Committee at the time, and we concluded that the language is sufficiently broad to enable us to investigate the operation of the company, and in that connection we certainly have the right to investigate labor conditions of the Steel Corporation.

Whether we would have a right to investigate labor conditions prior to that, is a question.

Mr. GARDNER. That is what I meant. We have authority to investigate present-day cost of production.

If we are going on, Mr. Chairman, I think that you should subpœna Mr. Bridge to tell where to get this information here.

The CHAIRMAN. He is here.

Mr. GARDNER. Yes. I see him here. I mean to say that I think we should find where his information comes from, if we are going into this Homestead question. I am perfectly willing to suspend on it.

The CHAIRMAN. Allow me to be understood. It is almost unkind to keep Mr. Carnegie at these sessions for such a length of time, and I am going to consult his convenience in the matter, even before I do that of the committee.

Would it be satisfactory to you, Mr. Carnegie, to go on for an hour or two, or would you prefer to come again to-morrow morning?

Mr. CARNEGIE. It would suit me to go on.

Mr. REED. On that labor question: Mr. Carnegie has been testifying, of course, pretty generally as to all the operations of the old Carnegie Steel Co., and I have not felt inclined to interrupt with questions or objections as to the operation of the old company. But certainly we do not want to launch into a general discussion of labor conditions at that time, and the wide questions that such a discussion will open up.

The CHAIRMAN. I will say to Mr. Reed that my question is, in my opinion, eminently pertinent. We will investigate, before we get through, the propriety and the effectiveness of a 12-hour day in the manufacture of steel.

I wanted Mr. Carnegie's opinion and used this statement of Capt. Jones simply as introductory to the effectiveness and the practicability of working men 8 hours a day in a steel plant. That is eminently pertinent to this inquiry and, as I understand it, is entirely proper and entirely admissible.

I am free to say that while I should be delighted to hear from Mr. Carnegie anything that he cares to say with reference to the details of that trouble at Homestead, which is a matter of great public interest, at the same time I doubt its admissibility.

Mr. GARDNER. I quite agree with you. The strike of 1887 involved that question of a three-shift day. Your question was absolutely proper, Mr. Chairman. You were trying to develop the possibility of running a steel concern on a three-platoon basis, and, incidentally, you took Capt. Jones's experiment, and I went on because that was the issue, or partly the issue of that strike. When I got to the end of that strike, before going further in the Homestead strike, I pointed out the distinction, myself, and I quite agree that the Homestead strike is outside of the question that we are discussing. But if we are going into the Homestead strike, then I want to hear both sides.

The CHAIRMAN. In that event, even now, as far as we have gone, it would be perfectly proper for Mr. Bridge to state his authority for that statement. That would be a matter of justice to all parties concerned, outside of the admissibility of the evidence.

The chairman is frank to say that it may not be the proper course to pursue, but the chairman has hesitated, as the committee well

knows, to object to a question because of its inadmissibility, as he would do if he were a judge.

In a trial in a court of justice, the court must act on matters affecting directly the property or the life of an individual or a corporation, and it is highly proper that the court, in that case, should rigidly guard the question of the admissibility of evidence.

We are making a broad and general inquiry, not for the purpose of determining the rights of any individual or corporation, because we can not punish anybody or anything; but for the purpose of obtaining valuable information to guide us in suggesting such amendments to existing laws, or the repeal of existing laws, or the passage of new legislation, to meet the present acute condition of affairs in the industrial world.

For that reason I think a broader scope is permissible, and I have tried, as chairman of this committee, for that reason, to be as patient of those digressions, almost, perhaps, as the committee has been patient with the chairman when he got over the line, if he ever did.

Mr. YOUNG. I have not felt at all like objecting to these questions along this line, but it rather seems to me that they have nothing to do with the investigation with which we are charged.

The CHAIRMAN. What is that? The Homestead matter?

Mr. YOUNG. Yes.

The CHAIRMAN. I agree with you.

Mr. YOUNG. And that if objection is made on the part of the Steel Corporation or anybody interested, I should rather doubt the propriety of going into it at this time any further.

The CHAIRMAN. That is exactly what the chairman tried to say, in the most delicate way he could; and Mr. Gardner invited the opinion of the Chair.

Mr. GARDNER. I move that Mr. Carnegie be excused, unless there is something further from other members of the committee.

The CHAIRMAN. There are one or two members of the committee who desire to ask questions of Mr. Carnegie.

Mr. GARDNER. I am through with my examination, Mr. Chairman.

The CHAIRMAN. I want to defer to the convenience of Mr. Carnegie. I think we should conclude this examination in a short time; but if he prefers to return in the morning that will be entirely agreeable to me, as I am sure it will be to the committee.

Mr. CARNEGIE. Rather than bring you back in the morning, I would stay now.

I understand you have got my statement that never, until this moment, have I ever heard that it was necessary to use any officers at Edgar Thompson when the old men came back. I left for New York that evening, of course, and I never until this moment heard of that.

Mr. REED, Sr. I understand that that has all been concluded.

Mr. REED. On this matter of the Homestead strike and the controversy we get into between Mr. Bridge and Mr. Carnegie, it has not anything to do with the inquiry, as I see it.

The chairman offered a part of that book in evidence this morning, and I noticed that he carefully excluded all reference to that Homestead strike.

It can not help the committee or Congress or anybody to go into a controversy between these gentlemen on this subject.

The CHAIRMAN. The chairman of this committee has always made this an invariable rule. For instance, there was a statement made here by Mr. Martz, as you remember, which touched the accuracy of certain statements made by Mr. Cotton, an attorney. I did not see anything very heinous in it one way or the other, but Mr. Cotton wanted an opportunity to appear here and vindicate his honor, and he did appear. He wanted to talk about his personal integrity, and I very patiently heard Mr. Cotton discuss his personal integrity for some half a day. And I would have been here yet if he felt that his personal integrity needed still further defense. He is satisfied, and I am. And he was very kind and thanked the chairman for the opportunity to come here.

The chairman introduced a part of Mr. Bridge's book, and submitted the book, before doing so, to Mr. Carnegie's attorneys to see that nothing appeared in evidence here touching upon any controversy between Mr. Carnegie and Mr. Frick. It is simply the documentary history in which we are interested.

This question has reached the point when the accuracy of the statements in the book is questioned, and I shall, of course, permit Mr. Bridge to give us his authority for those statements.

Mr. REED. It did not seem to me that it was necessary that even that should be done.

The CHAIRMAN. It is due the witness——

Mr. REED. No substantial controversy has developed as yet between Mr. Carnegie and Mr. Bridge.

Mr. BRIDGE. Mr. Chairman, I want to say a word——

The CHAIRMAN. One moment. Just let me ask you this: What is the authority for the statements contained in the book which has been referred to?

Mr. BRIDGE. John Walker, chairman of Carnegie, Phipps & Co., gave me the facts which I afterwards verified by the public records in Pittsburgh and the newspapers in Pittsburgh, as to the results of that strike and the Pinkertons being present. I simply confirmed Mr. Walker's statements as regards dates, by reference to newspapers and the public prints at Pittsburgh. John E. Walker was chairman of Carnegie, Phipps & Co.

Mr. REED. You are speaking of the strike of 1887?

Mr. BRIDGE. Yes.

Mr. CARNEGIE. You have my answer—that that is the first time I ever heard it.

The CHAIRMAN. I understand. There is no controversy between you and Mr. Bridge.

Mr. CARNEGIE. I returned to New York that night. What they did with officers at the Edgar Thompson works, when the old men were taken back, I can not imagine.

Mr. REED, Sr. There is no dispute between them, Mr. Chairman.

Mr. BRIDGE. There is not a single fact mentioned in that book that was not submitted to——

Mr. YOUNG. I do not think we should go into that any further, Mr. Chairman.

The CHAIRMAN. I want to say this: I do not think there is any controversy between Mr. Carnegie and Mr. Bridge, because, as I understand, and this book so states, at the time of the Homestead strike Mr. Carnegie was in Europe. Mr. Frick was in business at that time——

Mr. GARDNER. That opens up another line of discussion.

Mr. REED. I object to the other line of discussion as being irrelevant to the inquiry here.

The CHAIRMAN. I do not want to bring Mr. Frick into it. I dislike a controversy. That is all.

Mr. GARDNER. So do I.

The CHAIRMAN. I thought that was a matter generally known—universally known.

Mr. GARDNER. But I have here copies of alleged cablegrams——

Mr. REED, Sr. We object, Mr. Chairman——

The CHAIRMAN. Communications between them during the strike?

Mr. REED, Sr. In behalf of the Steel Corporation, which has nothing to do with this at all, I object to the continuance of the inquiry into those matters.

Mr. YOUNG. I think they should not be gone into any further.

Mr. GARDNER. I agree with that, but, of course, when one party makes a comment there has to be an answer.

Mr. REED, Sr. How much longer would it take to finish Mr. Carnegie's examination, Mr. Chairman? Do you think you can finish in half an hour or so; in 15 or 20 minutes?

The CHAIRMAN. I think we shall be able to finish very soon.

I do not mean to state categorically that Mr. Carnegie knew or did not know anything about the strike. I simply wish to state that it is unnecessary to go any further with this inquiry, because between the allegations as read by Mr. Gardner and the statements by Mr. Carnegie I see no conflict.

Mr. Carnegie, I believe you stated that when this $2,000,000 option was put up to cover the purchase of the $250,000,000 price you demanded $2,000,000 deposit as evidence of good faith?

Mr. CARNEGIE. When Mr. Frick came to me and said the parties wished an option upon our works at $250,000,000—was it? Yes; that excluded the Frick matter, which was $70,000,000, which was included afterwards. I said, "Who are they? I wish to know what bankers are to handle this."

He said that he had pledged himself that he was not to reveal their names. Then I said, "In that case, Mr. Frick, as an evidence that they are bankers of responsibility, I think we should require $2,000,000 payment for the option."

He said he thought they would give that, and it was so arranged. I was then about to sail for Europe.

The CHAIRMAN. I do not mean to go into that detail. I just want to see if I understand you correctly. I believe you stated that you did not know at any time that your partners had any interest in that option?

Mr. CARNEGIE. No, sir. I did not suspect it.

The CHAIRMAN. Did you not receive $1,180,000? Was not that the amount?

Mr. CARNEGIE. Of my partners' interest in the option?

The CHAIRMAN. No. Was not the amount put to your credit when the option was not carried through, $1,180,000 instead of $1,000,000, as has been stated here before?

Mr. CARNEGIE. I was speaking for my partners and myself as a whole, that we should not give an option to unknown persons, and that we should be sure that they were bankers of ability, and that the firm should ask $2,000,000; and it was Mr. Frick that asked the $2,000,000, through me. And they agreed. Then, as I was about to sail for Europe, I executed a power of attorney, giving Mr. Frick and Mr. Phipps the power, as my attorneys, to transfer my interest if the option was complied with.

When I returned from Europe I found that they had deposited the amount due me, which I got.

The CHAIRMAN. Which was $1,180,000, was it not?

Mr. CARNEGIE. I think so. About that.

The CHAIRMAN. Did you not know at that time that a part of that money was contributed by your partners? Were you not told that at that time?

Mr. CARNEGIE. Part of what money?

The CHAIRMAN. A part of the $1,180,000 that was put up for that option.

Mr. CARNEGIE. I was in Europe, and I did not hear anything. I sailed before the option money was deposited.

The CHAIRMAN. Were you not told in Europe that your partners had put up a part of that money?

Mr. CARNEGIE. When the option was not executed, I lost all interest in it, and things that came to me bearing upon it I never read.

The CHAIRMAN. Did you not stipulate at the time, or promise at the time, or make a statement at the time, or send a letter from Europe at the time, stating that if your partners had put up any of this money they would be refunded their portion of the money?

Mr. CARNEGIE. I do not remember that at all.

The CHAIRMAN. I will hand you a letter here, and ask you if this is not in your handwriting, containing a statement with reference to this option, that you will demand this money and that—

Of course any part paid by my partners I shall refund.

I will ask if that is in your handwriting? That is a photographic copy of the letter [handing paper to Mr. Carnegie].

The main part of it is written by an amanuensis, but the line across the middle is what I refer to. I will ask you if that is not in your handwriting?

Mr. CARNEGIE. Yes; of course. I have never seen this since I wrote it. I wrote this. I shall have to study it a moment.

I never knew of the deposit of my money until I came back, and no partner ever asked me for any money that I can think of.

The CHAIRMAN. I asked that not because I cared to detect any inaccuracy in your statement; but if Mr. Frick was interested in that $2,500,000 option and put up that $2,000,000, or a part of it, and a considerable part of it, and then failed to get the money, it is a very vital point in this case to show whether those works were worth $250,000,000 at that time or not. For that reason I am anxious to know what connection Mr. Frick had with this option.

Mr. CARNEGIE. I will tell you. When they could not raise the other money—I must just tell you what partners told me—Mr.

Schwab would know everything about it, and all the details and everything, and could explain it very much better than I can. I was informed that Mr. Phipps and Mr. Frick then thought they would come to Mr. Moore's rescue and enable him to get the option money.

The CHAIRMAN. Mr. Schwab and Mr. Frick were trying to help Mr. Moore get his option?

Mr. CARNEGIE. Not Mr. Schwab; Mr. Phipps.

The CHAIRMAN. Mr. Phipps and Mr. Frick?

Mr. CARNEGIE. Yes.

The CHAIRMAN. The Moores are the people that had organized the sheet-steel company——

Mr. CARNEGIE. I will tell you how they did it. They went to each of their partners and said: "We can not get the other option money; the other million; and we wish you to forego your portion of this $2,000,000."

And all my partners agreed to do so, and that amounted, if my memory is right—and things I do remember I think I get right—that amounted to $870,000. You understand?

The CHAIRMAN. Yes.

Mr. GARDNER. $830,000, was it not?

Mr. CARNEGIE. $830,000; yes. Whereupon Mr. Phipps and Mr. Frick made an agreement with Mr. Moore that they were to be credited with the $1,870,000, I think, and they put up $170,000, Mr. Phipps and Mr. Frick, and they were to be credited with that. Whereupon they went on.

I can only state what I heard in regard to this, that Mr. Frick and Mr. Phipps for that advance were to get each a large sum of money. They went into partnership with Moore Bros. in this option, as it were, and when the thing was floated they were to get from Moore Bros. each a large sum. I can not trust myself with the figure, but if I were asked what I thought it was I would say it was half a million dollars each.

Mr. GARDNER. Do you mean half a million dollars or $5,000,000? You said $5,000,000 the other day, I think.

Mr. CARNEGIE. Now, it may be half a million or it may be $5,000,000. I think I said five millions, did I not?

Mr. GARDNER. I think you said, day before yesterday, $5,000,000. Am I right, Mr. Reed?

Mr. REED, Sr. $5,000,000 of the stock of the new company was to go to them, he said.

Mr. GARDNER. Was it $5,000,000 each, or was it $5,000,000 in all, Mr. Reed?

Mr. REED, Sr. I do not know.

Mr. CARNEGIE. Well, gentlemen, that is the best of my recollection.

The CHAIRMAN. Mr. Reed, you read better than I do. I wish you would read into the record that letter from Mr. Carnegie.

Mr. REED, Sr. There is only a part of it here.

The CHAIRMAN. Yes; I know. Just read the part that is there, please.

Mr. REED, Sr. (reading):

I see no reason why promoters of the new company, who are going to make large profits, should escape paying one cent of what is legally due, and I must ask you to be guided by counsel in the matter. Do not transfer the property

until my legal rights are fully realized, which, I think, means that the option money has something to do with the purchase money.

Very respectfully, yours, ANDREW CARNEGIE.

P. S.—The first-mortgage bonds, of course, have a proper sinking fund, otherwise the coke and ore may be worked out before they mature.

A. C.

Of course any part paid by my partners I shall refund.

Mr. CARNEGIE. Yes, gentlemen, I am willing to refund to all of them to-day; but if Mr. Frick and Mr. Phipps entered into a contract with Moore Bros. by which they assumed to make $5,000,000 apiece, and never told me about it, why I do not think that I am obligated to pay them anything now.

The CHAIRMAN. I am not intimating that you are, Mr. Carnegie. It was not for that purpose. I do not want to go into that controversy.

Mr. REED, Sr. I still think we are getting outside the scope of the inquiry, Mr. Chairman.

The CHAIRMAN. I stated my purpose in the beginning. I am anxious to find out the value of this Carnegie Co.'s properties.

Mr. REED, Sr. Yes.

The CHAIRMAN. If Mr. Frick and Mr. Phipps and Moores took the option and failed to raise the $250,000,000 for the properties, it is a vitally material fact or incident in connection with the effort to ascertain the real value of these properties.

Mr. REED, Sr. Quite correct; but whether he repaid this option money to his partners or not has nothing to do with the inquiry, I think.

The CHAIRMAN. I care nothing for that.

Mr. CARNEGIE. They have never asked me for anything.

The CHAIRMAN. You say that Mr. Carnegie, up to this time, has never connected his partners with the option at all?

Mr. REED, Sr. He has explained that he understands they raised the $170,000.

Mr. YOUNG. Perhaps Judge Reed can tell us who actually was interested in the option.

Mr. REED, Sr. I had nothing to do with it. I only knew it was worked through Judge Moore, and that Mr. Frick and Mr. Phipps were interested to a certain extent; I think to the extent of that $170,000.

Mr. MCGILLICUDDY. When did you first negotiate with Mr. Morgan and his syndicate for the purchase of your properties, with a view to the formation of the United States Steel Corporation?

Mr. CARNEGIE. I never negotiated with Mr. Morgan at all, nor saw him nor heard from him nor any of his men. Mr. Schwab came to me——

Mr. MCGILLICUDDY. Can you give me the date?

Mr. CARNEGIE. No; I can not give you the date.

Mr. MCGILLICUDDY. Tell me, as nearly as you can, about what year it was.

Mr. CARNEGIE. Gentlemen, I do not think it was a week before the option was taken.

Mr. MCGILLICUDDY. When was the option taken?

Mr. CARNEGIE. That I do not know.

Mr. MCGILLICUDDY. Some time in 1899?

Mr. REED, Sr. You mean the formation of the Steel Corporation?

Mr. McGILLICUDDY. No; I know that was in 1901.

When did he first commence to negotiate with the Morgan people to take over these properties, with a view to the formation of the Steel Corporation?

Mr. REED, Sr. Mr. Carnegie?

Mr. McGILLICUDDY. Yes.

Mr. CARNEGIE. I never negotiated with him.

Mr. McGILLICUDDY. Who did negotiate with him for you? Somebody must have done so, because you got together.

Mr. CARNEGIE. Mr. Schwab came to me, as I have told you plainly heretofore.

Mr. McGILLICUDDY. I want to know when that was.

Mr. CARNEGIE. I can not give you the date.

Mr. McGILLICUDDY. Can you tell somewhere near when it was?

Mr. CARNEGIE. It was near January, 1901, so the judge says. It was near there, somewhere.

Mr. McGILLICUDDY. Were there not any negotiations as early as 1900 with reference to that?

Mr. CARNEGIE. I never heard of them.

Mr. McGILLICUDDY. In the year 1900 you were taking a very decided interest in the political situation and opposed, I believe, to the policy of imperialism?

Mr. CARNEGIE. Yes, sir.

Mr. McGILLICUDDY. You were very much interested in that?

Mr. CARNEGIE. I urged Mr. McKinley never to have anything to do with it. If we had to do it to-day I do not think we would.

Mr. McGILLICUDDY. For that reason, being so much opposed to the policy of imperialism, you were opposed to Mr. McKinley's nomination and election?

Mr. CARNEGIE. No, sir. I never was opposed to Mr. McKinley for anything.

Mr. McGILLICUDDY. In January of that year did you meet with some anti-imperialists and agree to put up $25,000 if they would put up an equal sum, to be expended in preventing his nomination and election?

Mr. REED, Sr. That is objected to, Mr. Chairman, as irrelevant to this whole inquiry.

Mr. McGILLICUDDY. It is not irrelevant. It leads up to the formation of this corporation.

Mr. REED. I fail to see the connection.

The CHAIRMAN. You will connect it, Mr. McGillicuddy?

Mr. McGILLICUDDY. Yes.

Mr. REED. Does the committee overrule my objection?

The CHAIRMAN. I overrule the objection, and if any of the committee——

Mr. REED. That is all I have a right to ask, Mr. Chairman. The chairman speaks for the committee, as far as I am concerned.

The CHAIRMAN. You understand our procedure here?

Mr. REED. Yes.

Mr. CARNEGIE. I am not sure. I can not tell you. I have no present recollection. I was chiefly opposed to the acquisition of the Philippines; but I can not believe that I ever thought that was sufficient to cause me to oppose Mr. McKinley for President.

Mr. McGILLICUDDY. Do you not remember that meeting in January, when you agreed to make a contribution of $25,000 if they would raise a similar amount?

Mr. CARNEGIE. I do not remember it.

Mr. McGILLICUDDY. Do you not remember contributing $15,000 in cash to it and then stopping?

Mr. CARNEGIE. I do not.

Mr. McGILLICUDDY. You have no recollection of anything like that?

Mr. CARNEGIE. Not the slightest. I have no doubt it is true.

Mr. McGILLICUDDY. You have no doubt it is true?

Mr. CARNEGIE. I do not know.

Mr. REED, Sr. Not against his election?

Mr. CARNEGIE. I am sure I never did do that against Mr. McKinley's election.

Mr. McGILLICUDDY. Did you contribute $15,000 toward that $25,000?

Mr. CARNEGIE. It is possible that I did. I do not remember doing so; but if it was done, I am very sure it was to affect public sentiment in opposition to annexing the Philippines.

Mr. McGILLICUDDY. Why did you stop at $15,000 and not contribute the other $10,000?

Mr. CARNEGIE. I do not know. I have not the slightest recollection of what caused me to stop or what caused me to give it, except that I was so keen against annexing the Philippines; I know that.

Mr. McGILLICUDDY. Whatever caused it, or whatever the fact is about it, you did, in the fall, favor the election of Mr. McKinley very strongly?

Mr. CARNEGIE. I think it is impossible that I could ever have opposed Mr. McKinley.

Mr. McGILLICUDDY. I say, you did favor his election in the fall of 1900?

Mr. CARNEGIE. I think I did.

Mr. McGILLICUDDY. As a matter of fact, did not some of the Morgan people come to you and insist that it was necessary to have Mr. McKinley elected, in order to form that Steel Corporation after he was inaugurated, and that it could not be done before?

Mr. CARNEGIE. I never heard of such a thing in my life.

Mr. McGILLICUDDY. It was not formed until after he was elected and inaugurated?

Mr. CARNEGIE. You must ask those who formed it about that.

Mr. McGILLICUDDY. He was inaugurated in March, 1901, and Mr. Knox went into the Cabinet as his Attorney General in March, 1901. Is not that true? You know that?

Mr. CARNEGIE. I know that he went into his Cabinet. I do not know the dates.

Mr. McGILLICUDDY. The 4th of March, 1901, he was inaugurated. Within 30 days of that time your Steel Corporation was formed, was it not?

Mr. CARNEGIE. I never had anything to do with forming the Steel Corporation.

Mr. McGILLICUDDY. Do you not know that it was formed then?

Mr. CARNEGIE. Why do you say "your" Steel Corporation?

Mr. McGILLICUDDY. I mean the Carnegie Steel Co. I call it yours because you own 54 per cent of it.

Mr. REED, Sr. Are you referring to the United States Steel Corporation or to the Carnegie Steel Co.?

Mr. McGILLICUDDY. Both.

Mr. REED, Sr. The Carnegie Steel Co. was formed the year before that.

Mr. McGILLICUDDY. The United States Steel Corporation took over the Carnegie Steel Co.

Mr. REED, Sr. It was not his corporation.

Mr. CARNEGIE. I never had a penny in the Steel Corporation.

Mr. McGILLICUDDY. Do you not know that it was formed in April, 1901, within 30 days after McKinley was inaugurated and Knox went into his Cabinet in the Department of Justice?

Mr. CARNEGIE. I do not know what date it was.

Mr. REED. The evidence shows it was formed before that.

Mr. McGILLICUDDY. What was the date of the formation of it?

Mr. REED. February 23, 1901. That is my recollection.

Mr. McGILLICUDDY. My recollection is that it was April, 1901. The evidence will show, anyway.

Mr. GARDNER. The underwriting agreement is dated March 1, 1901.

Mr. McGILLICUDDY. After that corporation was formed, during the entire McKinley administration, while Mr. Knox was Attorney General, no prosecution of any kind was instituted against the United States Steel Corporation that you know of? That is true?

Mr. CARNEGIE. I suppose it is. I never heard of any.

Mr. McGILLICUDDY. I say, just answer the question. That will be all. I do not care to have any more.

From the time of the formation of that corporation in 1901 up to last August, when this committee had three months of this investigation, there never was a prosecution against that corporation, was there?

Mr. REED. Was there one last August?

Mr. McGILLICUDDY. Let him answer.

Mr. CARNEGIE. I can not tell you.

Mr. McGILLICUDDY. You do not know of any?

Mr. CARNEGIE. Why do you not ask if I know of any?

Mr. McGILLICUDDY. I ask if you know of any.

Mr. CARNEGIE. I know of none. But I do not know that there was not any. What had I to do with the steel company, in which I have never owned a dollar?

Mr. McGILLICUDDY. That is all.

The CHAIRMAN. Mr. Carnegie, when you were in the steel business you had a partnership most of the time, and you have spoken of the advantages of a partnership.

Mr. CARNEGIE. It was a limited partnership under the Pennsylvania laws.

The CHAIRMAN. I understand. Your shares were in blocks of a thousand dollars apiece?

Mr. REED. That was the Carnegie Co. of New Jersey.

Mr. CARNEGIE. I made them as thousand-dollar shares so as not to render them gambling instruments in the stock exchange.

The CHAIRMAN. I see. You put them at a thousand dollars apiece to keep them out of the stock exchange?

Mr. CARNEGIE. As far as I could.

The CHAIRMAN. Why did you want to keep them out of the stock exchange?

Mr. CARNEGIE. Because I did not want to have partners that would be tempted to go into speculation. I never bought a share in my life in the stock exchange. I never sold a share. I have been, you might say, a monomaniac on the subject of speculation. I have never touched it.

I will tell you. My reason was this: Because my grandfather, a splendid man, was ruined in Scotland through speculation, and I was brought up with that knowledge, and I have never bought a share of stock long nor sold it short in my life.

I bought a lot of shares of the Pennsylvania Railroad Co. in Philadelphia, when I was a young man, having great faith in it; and I did not pay for them for 30 days afterwards, but the banker said I could pay for them 30 days afterwards.

That is the only stock purchase I made in my life on the exchange.

The CHAIRMAN. Before the Ways and Means Committee I find this statement right in line with what you said:

> I want to say that I am no stock gambler, and I never in my life associated with stock gamblers. * * * I think that the common stock gambler is one of the worst citizens that a country can have. They are parasites, feeding upon values and creating none.

Mr. CARNEGIE. Can you say a better thing than that? [Laughter.] "They are parasites, feeding on values and creating none."

You said something I had said should be put in marble. I think that would be a splendid thing to have in the New York Stock Exchange, in marble. [Laughter.]

The CHAIRMAN. I say amen to every word of that.

Mr. CARNEGIE. Thank you, sir.

The CHAIRMAN. With interest.

Mr. CARNEGIE. Now, please let me go, when we are in this happy mood.

The CHAIRMAN. Just a moment. When you were in the business, did you ever keep a large amount of money on hand to protect your stocks in case they were put on the stock exchange?

Mr. CARNEGIE. My stocks never were on the stock exchange.

The CHAIRMAN. The stocks of the Carnegie Co. were never on the exchange?

Mr. CARNEGIE. They were never listed on the stock exchange. I would not have tolerated that.

The CHAIRMAN. Do you believe that the law should ever give a company the right to buy and sell its own stocks?

Mr. REED. For resale to its employees?

The CHAIRMAN. For any purpose. I do not care what the purpose is.

Mr. CARNEGIE. Do I believe in what, Mr. Chairman?

The CHAIRMAN. Do you believe that we should by law write into the charter of any industrial company the right to buy and sell its own stocks on the stock exchange?

Mr. CARNEGIE. I have never heard that question being raised. It is all new to me.

The CHAIRMAN. It is a new question, and a vital one. We are preparing to propose laws, and you have been advising us about this

commission and these various things. Ought we, if we can, to introduce a bill providing that a company shall not be permitted to engage in interstate commerce that gambles in its own stocks? Would that be a good law?

Mr. CARNEGIE. I would like to write you a note upon that, after I have had an opportunity to think it over for a few days.

The CHAIRMAN. I should be very glad to have you do that.

Mr. CARNEGIE. That is a new question to me. I do not like to jump into new questions.

The CHAIRMAN. Do you believe that it is a safe policy to the innocent shareholders who do not gamble, and who believe gambling is morally wrong, and that buying and selling of stocks is a pernicious form of gambling, as I do, and a disgrace, just as much as playing poker——

Mr. CARNEGIE (interrupting). Or any other gambling game; cards, or anything else. I have never wagered a cent in my life. I do not want anybody's money that I win by a game.

The CHAIRMAN. There may be some people who are under the impression that I am interested in the short end of the market. [Laughter.]

Mr. REED, Sr. No, Mr. Chairman; but some of us might have been surprised that a man from Kentucky should not know how to play poker. [Laughter.]

The CHAIRMAN. I do not know how to play poker, even.

Mr. CARNEGIE. Neither do I.

Mr. REED, Sr. It is the men who think they do know how to play that get into trouble. [Laughter.]

The CHAIRMAN. You ought to see what a poor game I do play. [Laughter.]

Mr. CARNEGIE. Have you found that out, Mr. Chairman? [Laughter.] I have not even found that out. I never played a game of poker in my life.

The CHAIRMAN. I do not pose as a saint at all, but I have no taste for cards. However, I was speaking about stock gambling. Do you believe that, if people have to gamble, it would be better to gamble on the spots on a card, or on the speed of a horse, or on something that does not produce values, than to gamble on bread and meat and industrial stocks?

Mr. CARNEGIE. I think that they might gamble on horses for fun; but if a man once begins it I think the end of that man would probably be his ruin. I have known so many cases in Britain where horse racing had ruined families.

The CHAIRMAN. Do you believe that if they gamble it would be better for them to gamble on something like that than to gamble on values and to try to affect them in that way?

Mr. CARNEGIE. I do not like to draw distinctions. The best rule for you is never to gamble on anything. [Laughter.] I never did.

The CHAIRMAN. I have no taste for that sort of thing.

Mr. CARNEGIE. Then do not acquire it. [Laughter.]

The CHAIRMAN. I can say with you that I never bought or sold a share of stock in my life.

Mr. CARNEGIE. Good!

The CHAIRMAN. Do you think the officers of a company should be permitted, under the law, to buy and sell the stocks of the company of which they are in charge?

Mr. CARNEGIE. That I have said I would think over. I do not want to express an opinion offhand. I have never heard the question put, and it has bearings several ways.

The CHAIRMAN. Have you ever made any study of this question? Have you any idea or do you know to what extent the industrials of this country have been affected by this habit of buying and selling their stocks on the exchange?

Mr. CARNEGIE. No; I do not. It has been flashing across my brain since you spoke that I can see where that could lead to great abuses—the power to buy and sell their own stocks. I can see that, the last minute or two that I have been thinking about the matter, since you suggested it. I can see that it might lead to very disastrous consequences. It puts temptations in the way of officials of the company to gamble.

The CHAIRMAN. For instance, take this sort of a case: If the stockholders in a company or the directors of a company declare a dividend out of their capital, instead of out of their earnings, it would be a very serious offense.

Suppose, instead of doing that, they would artificially boost those stocks on the market—"bull" them—until they sold at a fictitious price. Would not that have the same effect, as far as the shareholders were concerned?

Mr. CARNEGIE. Quite so. Anything that will stop the gambling spirit I would favor. My impression now is that it would be wise to prohibit them from doing so.

The CHAIRMAN. I think so.

Mr. Carnegie, we are very grateful to you for your kindness, and we will, if you so desire, excuse you.

Mr. CARNEGIE. Gentlemen, allow me to say one word to you.

I came down here dreading the publicity of going over all of these matters, and, speaking frankly, regarded it as something of an ordeal.

Now, to tell the truth, I have enjoyed my time here with you.

I depart with this hope—and, Mr. Gardner, you are a fellow-traveler with me along the lines of thought we were discussing, and I hope you will, with all the other members of the committee, carefully think over the plans that I would suggest to you in your difficulties, and that is: To take one step at a time, get this commission organized, and await results.

Gentlemen, when shall we meet again? I shall miss your happy, smiling faces and all the pleasure that I have had with you.

The CHAIRMAN. The latchstring is always on the outside, whenever you wish to come, Mr. Carnegie. [Laughter.]

Mr. CARNEGIE. If I get another paper with that famous signature of yours, I shall be at your disposal—provided my counsel does not object. [Laughter.]

Good-by.

The CHAIRMAN. I have here the petition and answer in this Frick suit, which I wish to put in the record. Also, the Good letter and the MacRae letter.

Whereupon, at 5.45 o'clock p. m., the committee adjourned subject to the call of the chairman.

A British View of the Steel Corporation.

[By T. Good.]

The iron and steel industry, from mining the ore to putting the finest wire in a musical instrument, or from smelting the pig iron to building a huge ship and her engines, constitutes a group of the most interesting and highly skilled occupations mankind has yet indulged in, and is, next to agriculture, the world's most important productive industry. Even in the United Kingdom, so famed for its cotton and woolen trades, the metal group of industries beat the textile group at the last census (1901), measured by the number of persons employed, while in wages paid, in skill required and displayed, in capital invested, in value of goods produced, and in general economic importance, iron stands out above all other manufacturing trades. So it is in America and Germany, and the world's demand for iron products seems to increase more rapidly than its demand for any other class of commodities. When, therefore, we find one country (the United States) producing more iron and steel than any other two or three countries; when we find the actual productive capacity of this country equal to that of the next three or four countries combined and being still further increased, and when we find one company (the United States Steel Corporation) aiming, apparently, at a monopoly of the entire iron and steel industry of this great country, and actually controlling half the trade and owning half the capacity of production, the progress, position, and prospects of this huge and ambitious corporation become matters of high national and international concern. At any rate, no apology need be offered for presenting a brief review and criticism of the American steel trade in general, and of the big Steel Trust in particular, from a purely British point of view.

Let us take a glance backward. The history of the iron trade, especially in America, is marked almost throughout by violent fluctuations in demand and supply, in prices and profits, with all their accompanying hardships inflicted upon labor and capital, upon workmen and manufacturers, to say nothing of the losses and inconveniences of consumers. The fits and starts and panics which have characterized the iron industry may have yielded fortunes for the few, but they have imposed miseries upon the many. The need of some means or method by which such fluctuations might be moderated was long and keenly felt. For this reason, if for no other, the aims and objects of the organizers of the Steel Trust merit sympathetic consideration. To have brought every phase of steel production, from mining raw ore to selling the finished goods, under a single management, carefully to have regulated prices and business, to have economized mining, transit, and manufacturing costs; to have given fair dividends to investors, fair wages and regular employment to workmen, and to have developed the great natural resources and expanded the industry and commerce of the vast United States—all this would have been beneficent work as well as good business, if successfully accomplished.

But by what methods have the directors of the Steel Trust sought to attain their objects, and what are the results of their policy? Since the Steel Trust began business 10 years ago much new capital has been attracted to the American iron and steel industry, many new furnaces and mills have been erected, output has been largely increased, prices have never been put to an extremely high or permitted to fall to an extremely low level. During the great pressure of 1901 and 1902 the trust directors refused to put prices as high as they might have done; and in the depression following October, 1907, they as resolutely refused to reduce prices to panic figures. The directors have endeavored, with some show of success, to have a price-maintenance understanding with their independent rivals at home. They are now trying to cultivate cooperation with their competitors abroad. We may give the trust and its directors full credit for all this, but we can not refrain from looking at the other side of the picture.

It may be recalled that the United States iron and steel industry, with all its faults and defects, prospered and progressed before the advent of the Steel Trust. Fresh capital was invested, new furnaces were erected, production was increased, wages went up, and manufacturing costs went down, mechanical efficiency reached a high pitch, and the American steel trade became the wonder of the world, before the Steel Trust was organized. In the closing years of the nineteenth century pig iron was produced and steel was manufactured in the United States at a speed, on a scale, with an efficiency and an economy which had never been equaled—certainly never surpassed—in the

history of the trade in any other country. European iron and steel makers became alarmed. One of the greatest English authorities said that there seemed to be nothing to prevent America from flooding the world's markets with cheap steel. One of the greatest American authorities boldly declared that the United States would annex the world's export trade in iron and steel. So alarmed were we in England that one of our leading public men cried out that our only hope of salvation lay in becoming an American colony. It was roundly asserted that the United States possessed such inexhaustible natural resources, such cheap transit, such manufacturing competency, and such business ability that we in the old country could not hope to withstand American competition.

Financially, industrially, and commercially the United States iron and steel trade took almost giant strides before the Steel Trust was born. In three years—between 1897 and 1900—American export of iron and steel went up by very nearly 100 per cent, and it seemed, indeed, that America was destined to annex the world's trade. Such was the position, and such were the prospects, prior to the organization of the Steel Trust. What is the position, and what are the prospects to-day, after 10 years of Steel Trust operations?

Briefly, the facts are these: Britain and Germany, between them, are doing in tonnage six times as much and in value eight times as much business in the exportation of iron and steel products as the United States, although their combined productive capacity is considerably less than that of the latter. Although America has furnaces and rolling mills enough to undertake about nine-tenths of the world's export trade, in addition to supplying her own wants, she is content with about one-tenth of the total. There is a world's export trade in iron and steel amounting to something like 14,000,000 tons a year. Of that total America claims only 1,500,000. America, with an iron-and-steel-works capacity almost equal to that of all other countries put together—America who 10 years ago boasted the greatest natural resources and lowest manufacturing costs of any iron country.

Since the Steel Trust was organized, for every dollar's worth of American iron and steel sold in neutral markets there has been sold a sovereign's worth of British iron and steel. And our American friends can no longer offer the explanation or excuse that they are too busy meeting home demands to trouble about foreign business. Never since October, 1907, have the United States steel producers been anything like adequately employed on home account. Tens and even hundreds of millions of dollars' worth of plant and machinery have been standing idle in the American iron and steel industry for three and a half years—not obsolete plants and machinery, but huge, costly, up-to-date furnaces and steel mills. To-day the United States has an iron and steel capacity unemployed nearly equal to the entire working capacity of the United Kingdom.

Nowhere within the four corners of the United States is there the shadow of a sign of a demand equal to the full employment of the works in that country. Productive capacity has been pushed millions and millions of tons beyond consumptive requirement, yet no effort is made to find full employment by exportation. There is plenty of export trade to be had. The world's export trade is available for the strongest competitor—in other words, for the country which can produce and sell cheapest. Who would have believed 10 years ago that we should ever have the spectacle of one-third of America's furnaces—one-third of a 33,000,000-ton annual capacity, measured in terms of pig iron—standing idle month after month while alleged played-out Britain and despised Germany worked practically at full capacity and exported between them nearly 10,000,000 tons of iron and steel in a year? Ten or twelve years ago there seemed to be every prospect that America would take first place in the steel-exportation business as well as in point of production; but America remained and is likely to remain a bad third in the international race. Why is this so? Is it not remarkable that the prestige, powers, and prospects of the United States in the international steel trade have diminished during the decade which has elapsed since the Steel Trust was organized? In no important group of industries in any country have the costs of production gone up so rapidly and substantially these last 10 or 12 years as in the United States iron and steel trade. It is this increase in cost which has impaired, if not destroyed, America's chances of dominating the world's steel trade. And this increase in costs has coincided with the operations of the Steel Trust.

It would not be fair, perhaps, to charge the Steel Trust with all the mischief, but that a very large proportion of the increased costs of production is due to the policy of the trust admits of no manner of doubt or question. It is, indeed,

a demonstrable fact that the trust has done more harm than good, from an American point of view; that it has burdened and handicapped the United States steel trade and, incidentally, given Britain, Germany, and other countries a better chance in the race. Last year (1910) British iron and steel exports were further in advance of those of America than they were in 1900, the year before the Steel Trust got down to business, while German exports, which were about 30 per cent below those of the United States in 1900, are now something like 300 per cent above them. Here are the bald figures:

	Iron and steel exports from—		
	United States.	United Kingdom.	Germany.
	Tons.	*Tons.*	*Metric tons.*
1900	1,154,000	3,213,000	838,000
1910	1,535,000	4,594,000	4,868,000

While in Britain and Germany the actual costs of producing iron and steel goods are no higher now than they were 10 or 12 years ago, in the United States they are very much higher. For example, in 1899 it was calculated that steel-making pig iron was produced in the United States $5 per ton cheaper than in England and that standard steel rails were manufactured $7 per ton cheaper there than in the old country. Before the Steel Trust was organized the costs of producing pig iron had been got down as low as $8 per ton, and American costs all along the line, from mining ore to rolling rails, plates, and structural materials, were at a level which defied British competition; and if America's productive capacity had been sufficiently in advance of her domestic requirements she would, no doubt, have beaten our country in the exportation business.

At that time United States costs were low enough, but the furnaces and the mills were not numerous enough to enable that country to indulge in a big export trade. Now, that America has any amount of furnaces and mills in excess of home demands—enough idle plants to do nearly the whole of the world's export trade—she finds her manufacturing costs so far above those of her British and German rivals that she can not obtain more than a very small amount of export business, and so, perforce, her costly plants must stand unemployed. Between two and three years ago, in their evidence before the Ways and Means Committee, leading American iron and steel producers had to admit that within 10 years, namely, between 1899 and 1908, the cost of making pig iron for the steel mills had increased from about $8 to $14 a ton; the cost of rail manufacture, despite mechanical improvements, had advanced more than $5 per ton; and that of other steel products in proportion. How is this?

The Steel Trust directors, in their efforts to absorb all the best plants in the United States, paid extravagant prices for some of them. They piled upon their industry an enormous load of bonds. They tried to buy or lease all the best iron-ore reserves in the country, and their efforts in that direction resulted in mining royalties being forced to a ridiculous height. They boasted of their huge profits, and that created an unanswerable demand for artificially high wages and salaries. From the moment that the Steel Trust got to work the American iron and steel industry was diverted from natural to unnatural developments; costs and prices of raw materials were inflated, progress toward economy was arrested, retrogression set in, and America's rosy chances of annexing the world's export trade were shattered. The Steel Trust, while spending large amounts of money on new plants and extensions, preparing for the conduct of an almost fabulous business, at the same time forced up capital charges, rents, royalties, costs of raw materials, wages, and general manufacturing expenses to such a height as to render a big or profitable export business in competition with other countries impossible.

Thus it comes about that the Steel Trust has justified neither the hopes that it raised at home nor the fears it inspired abroad. It has not strengthened the American iron and steel industry. It has done nothing to increase the United States share of the world's business. It has in no way reduced British exports or prevented the growth of those of Germany. The trust has not secured a monopoly in its own country in respect either of manufacturing plants or supplies of raw material. Contrary to all the high anticipations and

loud boastings with which it was launched, it has proved neither a strong competitor in the world's markets nor even a good dividend earner for its shareholders. Spread over the full 10 years of its existence, its common and preferred shareholders between them have had only an average of 4½ per cent per annum on their capital. A considerable proportion of the profits realized has gone in building new plants which are not required; and now, with manufacturing costs so much higher and selling prices so much lower than in the early years, with the real profits of the trust, both per ton of work and per unit of capital, diminishing, there is no prospect of this concern paying large dividends in the future.

NEW YORK, *December 4, 1911.*

Hon. AUGUSTUS O. STANLEY,
Chairman Special Committee on Investigation of
United States Steel Corporation, Washington, D. C.

DEAR SIR: Since submitting my last written report to you under the date of August 2, 1911, I desire to report further, for the information of the committee, as follows:

At your request I attended the hearings of the committee in the municipal chamber in the New York City Hall on August 3, 4, and 5; and, under your instructions, I went to Washington on August 7 and attended the hearings there on August 8, 9, 10, 11, and 12.

On Monday, August 14, as directed by you, I called on Mr. Herbert Knox Smith, Commissioner of Corporations, to obtain from him certain accounts and other data in his office, which, under the consent given to the committee by the President, was to be placed at the disposal of the committee; and on that day I handed you a written report of my request and Mr. Smith's reply thereto, as follows:

"On the 14th day of August, 1911, Mr. MacRae called on the Commissioner of Corporations, Mr. Herbert Knox Smith, accompanied by Miss Minnie Mahler, and requested Mr. Smith to furnish him (Mr. MacRae) with a copy of his (Mr. Smith's) requests upon the Steel Corporation for books, documents, or information by the end of the week.

"Mr. MacRae also requested Mr. Smith to furnish him with the trading and profit-and-loss accounts of the various subsidiary companies of the United States Steel Corporation, which he understood had been submitted to him by the United States Steel Corporation. Mr. Smith said that such information as he had in his possession respecting this matter was only fragmentary.

"Mr. MacRae requested Mr. Smith to furnish him with the production cost of the principal products of the Steel Corporation. Mr. Smith said that the data furnished in this respect by the Steel Corporation had been returned to it and he only had copies in his possession, and that his figures in this regard when published would be composite costs of the steel company and other independent companies amalgamated with statistics or data compiled from the Iron Age and other trade journals. I understood him to say that it would be several months before this information would be published and available."

On August 15 to 23, inclusive, I attended at the office of the corporation in New York and directed the compilation of the accounts and the examination of the minutes of the subsidiary companies, and I was also in Washington in conference with you regarding the subjects then under investigation and the evidence sought to be procured from the Commissioner of Corporations, and I again called upon the said commissioner and handed you the following memorandum as the result of my visit:

"The requests made on the United States Steel Corporation by the Bureau of Corporations comprise seven books, or about 700 pages. The requests principally relate to mill-cost sheets of the various products in minute detail, profit-and-loss statements, and 'orders' and 'bookings' of sales for the various companies, all of which have been returned, in accordance with the agreement, and receipts signed by the commissioner or his assistants, a copy of which receipt is as follows:

"Received of United States Steel Corporation schedule and statistical statements covering operations of ——— Co. properties for the year ——, as enumerated in schedules annexed hereto.

"The schedules and statistical statements above referred to are received on the understanding that they are merely loaned to me for my inspection and con-

sideration, that I will not make literal copies thereof for the files of any department of the United States Government, and that said schedules and statements will be returned to the United States Steel Corporation as soon as I have completed inspection of same, and in any event prior to ———."

Under my direction a copy of the requests made by the Bureau of Corporations on the United States Steel Corporation was made, and is now in your possession.

From August 24 to the present time I have attended at the office of the corporation in New York (except on September 12 to 15, September 23 to 26, and November 9 to 10, when I was in Washington in consultation with you) in the preparation of the accounts and the examination of the minute books of the various companies and investigation of other matters in the interests of the committee.

Many delays of one, two, or three days at a time occurred in furnishing the minute books of the subsidiary companies for the reason, as stated by Mr. Bolling, that he or some other representative of the company has to read all books before permitting me to examine them, and had to get the consent of the former officials or directors of the subsidiary companies before permitting me to examine them. And on or about the 14th of October I expressed to Mr. Bolling my dissatisfaction with the progress I was making in the examination of the minutes of the various subsidiary companies, owing to the slowness in delivering the said minutes, and the delays between the time of finishing the reading of one set of minutes and the production of another set. I stated that I would take Mr. Ernest from the work of reading the minutes and detail him to some other duties until such time as Mr. Bolling could have sufficient sets of minutes ready for inspection to allow the examination to be taken up and proceed with some degree of rapidity.

On October 30 I informed Mr. Bolling that I was ready to have Mr. Ernest proceed with the reading of the minutes, and on October 31 Mr. Bolling informed me, through Mr. Winslow, that owing to the press of business due to the Government against the Steel Corporation, and in the absence of Mr. MacVeagh, that he had been unable to read any of the minutes, and he requested a further delay until he could be at liberty to do so.

On November 8 I received the following letter from the United States Steel Corporation, signed by their attorney, Mr. Raynal C. Bolling:

NOVEMBER 8, 1911.

DEAR SIR: Before asking that we furnish you further data, such as minutes and other records, might it not be well for you to ascertain what are the views of Mr. Stanley with respect to the propriety of a request for this data, now that the United States Steel Corporation and its subsidiary companies, as well as a number of individuals connected with the corporation, have been made defendants in an action brought by the Government? May not Mr. Stanley feel that, with proper respect for the courts and regard for the rights of defendants therein, evidence ought not to be requested by an investigating committee from defendants during the progress of court proceedings?

Very truly, yours,

RAYNAL C. BOLLING.

Mr. F. J. MACRAE,
68 William Street, New York City.

In response to a telephonic communication from you I went to Washington on November 9 to consult with you, and on November 10 the following letter was addressed by you to Mr. Raynal C. Bolling:

NOVEMBER 10, 1911.

Mr. RAYNAL C. BOLLING,
Assistant General Solicitor, United States Steel Corporation,
71 Broadway, New York City.

DEAR SIR: Your favor of November 8, addressed to Mr. F. J. MacRae, has just been brought to my attention, in which you suggest that Mr. MacRae ascertain my views in respect to the propriety of his request for certain data necessary to complete the investigation of the books of the Steel Corporation as authorized by the committee. Mr. MacRae's duties with this committee are in no way affected by the action brought by the Department of Justice.

I am of the opinion that neither the Department of Justice nor any member of this committee regard Mr. MacRae's requests as in any way evidencing a lack of respect for the courts or regard for the rights of defendants therein.

I sincerely hope that upon receipt of this communication Mr. MacRae will not be further delayed in his endeavor to complete this examination.

Yours, very truly,

A. O. STANLEY.

On November 17 Mr. Bolling informed me that he would turn over for my inspection the minutes of the Oliver Iron Mining Co., and would furnish such other minutes as have been asked for in due course of time after they had been read by some representative of the Steel Corporation.

On November 29, upon receipt of a telephonic communication from you, I went to the office of the corporation and saw Mr. Winslow, and made the same request that I have made every day for the past several weeks, to wit, that he see Mr. Filbert and get for me the explanation of certain adjustments in the making up of the annual reports of the United States Steel Corporation, which it is necessary for me to have in order to complete my figures. I also stated that I have received a request from you to furnish the data regarding the cost of production of principal products of the corporation and also the minutes of such companies as have not already been supplied. Mr. Winslow, on behalf of the United States Steel Corporation, replied that Mr. Gary, Mr. Filbert, and Mr. Bolling were in Washington, and that Mr. Bolling had stated to him yesterday afternoon that on account of the time taken in complying with the demands of the Senate investigating committee and the work in connection with the Government suit that nothing could be done in compliance with the demands of the committee through me at that time.

Requests for data made by Mr. MacRae and disposition of the same by the corporation.

As directed by you, I made a copy of the voucher for $10,000 referred to in the examination of Mr. George W. Perkins, which was furnished to me as follows:

PHILADELPHIA, PA., *September 19, 1904.*

UNITED STATES STEEL CORPORATION.

MY DEAR SIRS: I inclose herewith the Republican national committee's receipt for your subscription to the campaign fund.

Respectfully, yours,

E. T. STOTESBURY,
Chairman.

[Inclosure.]

REPUBLICAN NATIONAL COMMITTEE.
Madison Square, New York, September 17, 1904.

Received from United States Steel $10,000.

C. H. DUEL,
Assistant Treasurer.

(Press of 40 Nassau Street.)

NOTE.—E. T. Stotesbury is a member of the firm of J. P. Morgan & Co.

2. I was furnished with document marked "Exhibit U," which is a statement of the companies whose stocks are owned by the United States Steel Corporation, together with the capital stock of those companies and their capital indebtedness.

3. I was furnished with Exhibit T, which is a list of plants and properties acquired by the United States Steel Corporation or its subsidiary companies on its incorporation or by purchase since, which have been sold, dismantled, or otherwise disposed of.

4. I have requested a statement of the cost of production of the principal products of the company, which has been promised but has not yet been furnished.

5. I have requested the annual reports of the subsidiary companies. These annual reports would show the assets and liabilities and the profit and loss accounts. The corporation furnished me the balance sheets showing the assets and liabilities of the various companies as of December 31, 1910, but they demurred to furnishing the trading and profit and loss statements of these companies for nine years and nine months, in accordace with my request set forth in my report to the committee July 18, 1911, unless I signed a receipt similar to that signed by Mr. Smith, which is referred to above.

There was considerable delay and discussion with the officials and attorneys of the United States Steel Corporation, which I duly reported to you in person

and by letter and telegraph, and thereafter, on August 25, 1911, you instructed me by telegraph as follows:

"Am surprised and exceedingly regret that any restrictions are placed upon profit and loss sheets of subsidiary companies; suggest you examine these papers under terms and conditions named in Mr. Bolling's letter of the 24th instant, with distinct understanding that committee is not in any manner whatsoever precluded, even by inference, from issuing such process as its chairman may deem proper for the production of these papers when the committee resumes its sitting.

"A. O. STANLEY."

On August 28 Mr. Bolling agreed to give me the trading and profit and loss statements upon condition that I sign the receipt copied below, which, in accordance with the directions in your telegram above, I signed, as follows:

"Received of United States Steel Corporation profits and loss statements of the subsidiary companies of the United States Steel Corporation for the year 19—, as follows: * * *

"These statements are received upon the condition that they are merely submitted to me for inspection, and I will not make literal copies thereof for any purpose whatever, and I will not, either in my report or in any other manner, make public the record given in said statement with respect to the gross or net profits or other details of any particular company; but it is also understood that their acceptance upon these conditions is not to be deemed in any way a waiver of any right to obtain them by subpœna which the committee may have."

From that date until the present date I have been using my best endeavors to compile these figures for the information of the committee.

I have two assistants working on these accounts and I expect that these figures will be completed within the next 30 days, if I am furnished by the corporation with the explanation of the adjustments made by the corporation in preparing their annual reports.

6. I have been furnished with the minutes of the following companies, which have been read, and extracts have been made for the use of the committee:

United States Steel Corporation, minutes of directors, finance committee, executive committee, general managers of sales, auditors supplemental extracts from finance committee minutes.

Carnegie Steel Co. (of New Jersey).
Carnegie Steel Co. (of Pennsylvania).
The Carnegie Co.
Index Carnegie Steel Co.'s minutes.
Clairton Steel Co.
Union Steel Co.
Federal Steel Co. (directors' minutes).
American Bridge Co. of New Jersey.
American Bridge Co. of New York.
Empire Bridge Co.
Trenton Iron Co.
Tennessee Coal, Iron & Railroad Co.
Universal Portland Cement Co.
Universal Portland Cement Co. (directors' minutes).
American Steel & Wire Co. of New Jersey.
H. C. Frick Coke Co.
United States Steel Products (export) Co.
Illinois Steel Co. (directors' minutes).
American Sheet Steel Co.
National Tube Co.
Shelby Steel Tube Co.

7. I have requested the production of the following minutes, which have not been furnished:

United States Steel Corporation, subsidiary companies' presidents' meetings, minutes or records of meetings (it was stated that none is kept); purchasing agents.

Carnegie Steel Co. (of Pennsylvania), before 1901.
Illinois Steel Co., executive and finance committees.
Universal Portland Cement Co., executive and finance committees.
National Steel Co.
Lake Superior Consolidated Iron Mining Co.
Duluth, Missabe & Northern Railway.

Duluth & Iron Range Railway.
Pittsburg Steamship Co.
American Steel Hoop Co.

I have also requested that the United States Steel Corporation furnish the minutes of executive and finance committees of subsidiary companies, where such committees existed and where the minutes have not already been furnished as shown above; and such minutes have not been furnished to me.

Also, Mr. Anthony J. Ernest, of the New York bar, employed by me and under my direction, is preparing a summary or brief of the evidence extracted from these minute books by him and from the testimony already taken, which I believe will be of value to the committee, and which I expect will be completed in 30 days.

The letter from J. A. Farrell to Mr. Corey, dated July 27, 1903, and the letter from Mr. Farrell referred to in the minutes of finance meeting April 11, 1905, and the schedule of profits of the principal products of the organization at present prices submitted at meeting of finance committee April 27, 1909, have not been received by me.

A great loss of time has been caused by repeated delays on the part of the corporation in furnishing minutes and other matter requested. At the office of the corporation in New York the explanation was made that counsel had to read all the minutes before I could be permitted to see them; that former officials or persons who had been interested in certain subsidiary companies had to be consulted before the minutes of that company could be furnished; that other officials, who were then absent on vacation, had to be consulted before furnishing certain minutes or data; that on account of the press of other business counsel had been unable to read the minute books preparatory to furnishing same; that absence from the office and from the city of officials who were supposed to have information desired had rendered it impossible to furnish the matter required until after a short delay; the commencement of the Government suit has been referred to as a cause for delay; the Senate investigation has also been referred to; in the offices of the subsidiary companies in Pittsburgh several delays of two or three days occurred in complying with requests for reason, as stated, of the necessity of obtaining the consent of counsel in New York to the furnishing of data asked for.

Although some of the delays may have been entirely excusable, as, for instance, the delay of three days while part of the office of the corporation was being rearranged and repainted, on the other hand, the recurrence and frequency of these postponements prevented proper expedition in the prosecution of the work in its entirety, and in the short intervals when records and documents were available it increased the difficulty of the work and the need for speed in doing it. The fact that many of the documents and books were supplied in fragments—no part being furnished until the part furnished had been examined and abstracted—has also increased the difficulty of the work and consumed time.

My attention having been called to criticisms in certain quarters regarding the expense of this investigation, I believe it is due the committee and myself to make the following explanations in regard to the work being done by me.

The time spent by a large force with the admitted assistants of the United States Steel Corporation and the expenditure of a large amount of money by them is illustrated by the report of Mr. Herbert Knox Smith, and I believe that the committee will fully appreciate the labor involved in the investigation of the affairs of a corporation of such magnitude as the steel company. It should be borne in mind that at no time in the prosecution of the work have there been less than three men, and generally four men, engaged in doing it under my direction, besides typewriters and copyists, and these necessarily had to be of more than average skill and experience. In view of the extent and complexity of the detail involved in examining the financial affairs of the corporation and its many subsidiaries, this seems to be the minimum force that could make an intelligent and comprehensive investigation.

If an appropriation of $25,000 had been devoted to the accounting work alone in the investigation of the corporation it would not have been too large or disproportionate an amount in comparison with the fees ordinarily paid to professional public accountants for auditing or investigating the books of corporations in general or this corporation in particular. This is especially true in the case of this corporation because of its great size and the number of its subsidiary concerns, and also because the cost of ordinary accounting would be calculated in consideration of the expectation that the corporation itself

would assist and facilitate the compilation of the account, which was done for the commissioner of corporations, and which was not done as to the figures compiled by me for the particular purposes of this committee. This was explained by me in substance to the committee at the outset of the work and before my engagement as accountant.

F. J. MacRae,
Certified Public Accountant.

[In the Court of Common Pleas No. 1 of Allegheny County, Pa. In equity, No. 422. March term, 1900. H. C. Frick, plaintiff, *v* The Carnegie Steel Co. (Ltd.), Andrew Carnegie, Henry Phipps, jr., L. C. Phipps, George Lauder, C. M. Schwab, H. M. Curry, W. H. Singer, A. R. Peacock, F. T. F. Lovejoy, Thomas Morrison, George H. Wightman, D. M. Clemson, James Gayley, A. M. Moreland, Charles L. Taylor, A. R. Whitney, W. W. Blackburn, John C. Fleming, J. Ogden Hoffman, Millard Hunsiker, George E. McCague, James Scott, H. P. Bope, W. E. Carey, Joseph E. Schwab, L. T. Brown, D. G. Kerr, H. J. Lindsay, E. F. Wood, H. E. Tener, jr., George Megrew, G. D. Packer, W. B. Dickson, A. C. Case, John McLeod, Charles W. Baker, A. R. Hunt, A. C. Dinkey, P. T. Berg, Charles McCreery, F. T. F. Lovejoy, trustee for the Carnegie Steel Co. (Ltd.), defendants.]

The joint and several answer of the Carnegie Steel Co. (Ltd.), Andrew Carnegie, C. M. Schwab, L. C. Phipps, W. H. Singer, Thomas Morrison, D. M. Clemson, James Gayley, and A. M. Moreland.

To the honorable the judges of the said court:

The answer of the Carnegie Steel Co. (Ltd.), Andrew Carnegie, C. M. Schwab, L. C. Phipps, W. H. Singer, Thomas Morrison, D. M. Clemson, James Gayley, and A. M. Moreland, respectfully shows:

First. It is not true, as is averred in the first paragraph of the bill of complaint, that during the months of April, May, and June, in the year 1892, Andrew Carnegie, Henry Phipps, jr., George Lauder, W. H. Singer, H. M. Curry, H. W. Borntraeger, John G. A. Leishman, William L. Abbott, Otis H. Childs, John W. Vandervort, C. L. Strobel, F. T. F. Lovejoy, P. R. Dillon, W. W. Blackburn, William P. Palmer, L. C. Phipps, A. R. Peacock, J. Ogden Hoffman, John C. Fleming, James H. Simpson, H. P. Bope, H. C. Frick, and F. T. F. Lovejoy, trustee for the Carnegie Steel Co. (Ltd.), executed and acknowledged certain articles of association. The fact is that in April, May, and June, in the year 1892, Andrew Carnegie, Henry Phipps, jr., George Lauder, W. H. Singer, H. M. Curry, H. W. Borntraeger, John G. A. Leishman, William L. Abbott, Otis H. Childs, John W. Vandervort, C. L. Strobel, F. T. F. Lovejoy, P. R. Dillon, W. W. Blackburn, William P. Palmer, L. C. Phipps, A. R. Peacock, J. Ogden Hoffman, John C. Fleming, James H. Simpson, H. P. Bope, H. C. Frick, and F. T. F. Lovejoy, trustee, did affix their respective signatures to a certain instrument in writing, of which a copy is annexed to the bill of complaint as Exhibit A and did acknowledge the same; and that said writing was thereafter duly recorded in the recorder's office of Allegheny County, in limited partnership book, Volume IX, page 376, on the 30th day of June, 1892; but we do aver that said writing was not articles of association for the Carnegie Steel Co. (Ltd.), but in truth was what it purports to be, an amendment of the original certificate under which Carnegie Bros. & Co. (Ltd.) had been duly organized under the provisions of an act of the General Assembly of the Commonwealth of Pennsylvania, entitled "An act authorizing the formation and regulation of partnership associations," approved the 2d day of June, 1874, and the several supplements thereto. Said amendment to the original certificate was made under the authority of section 1 of said act of assembly of June 2, 1874, not for the purpose or with the intent or with the effect of creating a new partnership, or a new partnership association, limited, but for modifying the terms of the original certificate in strict accordance with the authority given by law.

We aver that the shareholders of this association, at a meeting held March 25, 1892, at which the plaintiff, H. C. Frick, was present, passed resolutions providing for such an amendment to the articles of this association as would accomplish the changes specifically set forth in the amended certificate, and appointed a committee, consisting of H. C. Frick, H. M. Curry, and F. T. F. Lovejoy, authorizing and directing them to carry out the details of a general plan which had been outlined. There was no intention on the part of any of the members of this association to reach any other result than a lawful amendment of the articles of this association.

We aver that the other members of this association intrusted to said committee, including the plaintiff, the duty of arranging for said amendment; and

that H. C. Frick did act upon said committee, and was the principal actor in arranging the details and formalities connected with said amendment. We aver that at a shareholders' meeting of this association on July 1, 1892, at which the plaintiff, H. C. Frick, was present, the said committee, through the said Frick as chairman, did submit to the shareholders the amended certificate, with the statement that it had been duly signed and executed by every member and had been recorded in Allegheny County; the said amended certificate was read and spread at length upon the minutes, and on the motion of the plaintiff, H. C. Frick, it was approved, accepted, and adopted.

We aver that the said amendment as adopted is in all respects legal and in full compliance with the laws of the Commonwealth; but we further aver that if it be as the said plaintiff now avers, that there was any defect in said articles, the said H. C. Frick was primarily responsible for said defect in not properly and in good faith directing the details of the amendment which had been intrusted to him by the other members of this association.

It is true that certain of the persons whose signatures are affixed to said amended certificate were not parties to the original certificate made for the formation of Carnegie Bros. & Co. (Ltd.) on the 1st day of April, 1881, but all of said parties who signed said amended certificate had become members of Carnegie Bros. & Co. (Ltd.) in the manner prescribed by law, prior to the time when they affixed their signatures to said amended certificate, by an election to membership in this association, and transfer to them, respectively, of interests in the association from persons who had been original parties thereto, as prescribed by the rules and regulations of the association adopted in accordance with the provisions of the supplemental act of June 25, 1885.

The averments in the first paragraph of the bill of complaint with reference to a change in the business carried on by this association are not true. The character of the business to be conducted by the association is stated in the original certificate, as follows:

"The manufacture and sale of all kinds of iron and steel in all their branches and the procuration and preparation of all materials necessary therefor."

In the amended certificate the same language, literally, is used, and there was not intended, and there never has been, in fact, any change in the character of business conducted by this association from its organization, in the year 1881, until the present time.

It is true that in the amended certificate the enumeration of the places at which the business of the association was to be conducted was enlarged, but all the additional locations were for the conduct of business within the terms of the original certificate, which gave full scope for doing everything connected with the manufacture and sale of iron and steel in all branches, and the procuration and preparation of all materials necessary therefor. This extension of the locations of the plants of the association was only such enlargement as the growth of the business of the association required, and involved no departure from the policy which had always controlled its management.

It is true that by the amendment a change was made in the name of the association, but this change in no wise created a new partnership; but, on the contrary, was strictly within the powers of the original association as prescribed by the statute under which the association exists. In fact, this change of name was incident to the change in the membership of the association consequent upon the death of Thomas M. Carnegie, who was one of the original members thereof, and whose membership and large interest in the association, in connection with that of his brother, the defendant Andrew Carnegie, led to the adoption of the original name. Upon the death of said Thomas M. Carnegie, his interest in the association had been acquired by other members, and the change of name was adopted to properly and appropriately state the new conditions and give notice of the fact of this change in membership.

It is true that provision was made in the amended certificate for the removal of the principal office of the company into the city of Pittsburgh, in the county of Allegheny, from Bessemer Station, in the same county, where it had been previously situated; but this change also was within the authority conferred by the statute, and was incidental to the enlarged business of the association, which required for its convenient conduct a central office in the business section of the city of Pittsburgh.

It is also true that the amended certificate provided for a large increase of the capital of the association. This change also was within the express pro-

visions of the statute, and was action necessary and incidental to the growth of every successful business.

Having thus denied in detail the allegations of the bill with reference to the creation of a new partnership, we specifically deny that it was either the intent of the members to create a new partnership, or that, in fact or in law, the Carnegie Steel Co. (Ltd.) was a different association from Carnegie Bros. & Co. (Ltd.); but, on the contrary, we do aver that it has been continuously the same association since its organization on the 1st day of April, 1881, and that the particular changes, which were set forth in the amended certificate of 1892, were changes incidental to the growth of the original association, of which, by said amended certificate, legal notice was given to the world at large by the recording of the same in compliance with the provisions of the statute.

Second. The averments of the second paragraph of the bill of complaint are not true in manner and form as made, and in particular the averment that this association only acquired the Union Mills and the Lucy Furnaces in 1892, the fact being that said properties are described in the original certificate filed in 1881, and were owned by the association at the date of its organization.

The business of Carnegie Bros. & Co. (Ltd.) from its organization has been that described in the article of association, to wit: the manufacture and sale of iron and steel and the procuration and preparation of all materials necessary therefor. In the course of this business it has from the outset been engaged in the manufacture of steel rails, structural iron, pig iron, and billets, both for sale to others and as raw product for its own mills; and particularly at the Union Iron Mills—except between January 1, 1888, and July 1, 1892, during which period they had been transferred to Carnegie, Phipps & Co. (Ltd.)—it has been engaged in the manufacture of structural iron and steel, axles, bars, beams, channels, angles, plates, and various other articles; it has engaged in the mining of ore, and to provide the fuel needed in said furnaces and mills, said association has been a producer of coke.

It is true that after the filing of the amended certificate, in the year 1892, the association acquired, as it had the right to do, additional works and mills, and materially enlarged its output; but this enlargement of its business and the acquisition by the association of additional properties, we are advised, and therefore aver, in nowise changed, either in fact or legal effect, the status of said association as a juridical person existing and having continuous associate life under the provisions of the act of June 2, 1874.

Third. The averments contained in the third paragraph of the bill of complaint are not true in manner and form as made.

The facts are that by the amended certificate it was provided that the capital of the association should be increased from $5,000,000 to $25,000,000.

It is true that in the amended certificate of 1892, no further provision was made for the payment into the treasury of the association of the original capital which had been subscribed and paid in in 1881. The absence of such provision for a second payment of capital previously paid in, does not in anywise injuriously affect the legal status of the association; it rather may be referred to as evidence of the intent of the parties not to create a new association, but in accordance with law to amend the terms of the original certificate.

If by the averment that the said $20,000,000 of increased capital stock was not paid into the association in cash it is meant to assert that said association did not receive said amount into its treasury in coin or bank notes, said averment is admitted to be true; but it is nevertheless also true that said association did receive said amount in cash in the manner in which commercial transactions involving the payment of large amounts of money are now almost invariably carried on, to wit, by the receipt of checks drawn upon solvent and responsible banks, which were regularly deposited to the credit of the said association, and, upon presentation at the banks upon which they were drawn, were regularly paid. In addition to the said sum of $20,000,000 so paid, there has since been paid into said association, in cash, and invested in its property and business more than double said amount.

Prior to July 1, 1892, there were two separate partnership associations engaged in various branches of the iron and steel business in the city of Pittsburgh, to wit, this association and Carnegie, Phipps & Co. (Ltd.). In furtherance of the intention of this association to increase its business and acquire additional plant, it was deemed advisable to purchase the property of said Carnegie, Phipps & Co. (Ltd.). To carry out said intention and effect said purchase, a contract was entered into between Carnegie, Phipps & Co. (Ltd.), and this association by which Carnegie, Phipps & Co. (Ltd.) agreed to sell, and

this association agreed to purchase all the physical property of Carnegie, Phipps & Co. (Ltd.) for the sum of $10,000,000, payable in cash, which property at a fair valuation made and approved by Mr. Frick, the plaintiff, was worth that sum. Therefore on or about June 30, 1892, this association paid this amount to Carnegie, Phipps & Co. (Ltd.) by check of this association, drawn and paid in the usual manner. On the same day, pursuant to previous action of its board of managers, Carnegie, Phipps & Co. (Ltd.) paid to its members a dividend of 200 per cent or $10,000,000, and the said members all being subscribers to the increased capital of this association indorsed and delivered their dividend checks to this association, which checks were fully deposited and collected in the usual manner.

On the same day, to wit, June 30, 1892, this association, pursuant to previous action of its board of managers, paid to its members a dividend of 200 per cent, or $10,000,000, representing the earnings previously invested in the company's property, and the said members, being subscribers to its increased capital, indorsed and delivered their dividend checks to this association, which checks were duly deposited and collected in the usual manner. As we are advised, and therefore aver, the fact that payment was made by checks drawn on a solvent bank against an actual balance to our credit rendered said payment none the less a good and sufficient payment of said capital subscriptions in cash, in accordance with the true spirit and intent of the said articles of association and the laws of Pennsylvania.

We further aver that if said method of payment be in anywise open to criticism (which we do not admit, but, on the contrary, deny), it was devised, approved, and carried out by the plaintiff, to whom his associates had committed the supervision and control of the transaction, and we are advised and believe, and therefore aver, that, as against the said association and the members thereof, the plaintiff is estopped from in anywise questioning the propriety and validity of his own acts.

Fourth. Save from the averments of the fourth paragraph of said bill and the past actions of the plaintiff, we have no knowledge respecting the matters set forth in this paragraph of said bill; and if the same be in anywise material, call for proof thereof. We, however, are advised, and therefore aver, that whatever advice the plaintiff may have recently received or whatever may have been his former belief as to the legal status of this association, his actions in the past in connection with it and its business have been such as to estop him, as against the association or the members thereof, from questioning the validity of its organization as a partnership association under the statutes of Pennsylvania; and we do further aver that in fact and in law the said association is now and always has been a partnership association, duly organized and existing, and is not now and never was a general partnership.

Fifth. The averments of the fifth paragraph of said bill are true in part. It is not true, however, as insinuated in said paragraph, that prior to July 1, 1892, the business of the association was limited to the manufacture of steel rails. It is not true that on June 30, 1892, Charles L. Taylor, E. H. Utley, C. M. Schwab, John A. Potter, James Gayley, and Thomas Morrison, or any of them, were members of said association or held interests therein. In so far as they or any of them had any inchoate or contingent right or interest in the capital of said association, it was held in the name of F. T. F. Lovejoy, trustee, being in amount 2 per cent in addition to the amount in said paragraph mentioned as held by said F. T. F. Lovejoy, trustee. It is not true that on July 1, 1892, the business of Carnegie Bros. & Co. (Ltd.) was merged into that of the Carnegie Steel Co. (Ltd.), or that the latter company assumed the contracts of the former. The Carnegie Steel Co. (Ltd.) was and is the same partnership association formerly existing under the name of Carnegie Bros. & Co. (Ltd.) and, subject to the change of its name and other changes defined and set forth in the amendment of its articles of association, retained the property and continued the business formerly held and conducted under the name of Carnegie Bros. & Co. (Ltd.). No business has been done since July 1, 1892, in the name of Carnegie Bros. & Co. (Ltd.), because on said date the association ceased to bear that name and took its new name, to wit, the Carnegie Steel Co. (Ltd.), which it has since used.

Sixth. The averments contained in the sixth paragraph of the bill are true so far as stated, but are not sufficiently full to present to the court all material facts connected with the matters referred to. The history of plaintiff's membership in this association is as follows:

On or about the 14th day of January, 1887, the plaintiff entered into a contract in writing, of which a copy is annexed hereto as Exhibit A. Up to that time the plaintiff had not been a member of this association. The arrangement expressed in said written contract was in accordance with the policy which had been previously adopted by the association and its principal members in securing the services of young men whom it was believed would be useful in the future conduct of the business and whose energies would be stimulated by admission into the body of the association upon the basis of an interest in its property and profits, provision being made for the payment by such newly admitted members out of future profits of the book value of the interest which they acquired.

After his admission into the membership of the association the plaintiff exhibited zeal and energy in promoting its business, and it was believed that he was one who would become permanently identified with the property and always remain an efficient and valuable member of its working force. Upon this basis and for the purpose of further stimulating his efforts, in the month of May, 1889, a contract was entered into between this association, on the one side, and the plaintiff, on the other, whereby an option was given to the plaintiff to acquire on the 1st day of January, 1894, a further interest of 3 per cent in the capital of the company at its book values on January 1, 1889. Thereafter, to wit, on the 20th day of November, 1890, with the consent of the plaintiff, this option was abrogated, but as compensation therefor the plaintiff was credited in his account with the association with the sum of $138,146,68, representing the increment in the book value of the interest covered by his option from the date of said contract until the date of its abrogation. On the 31st day of October, 1890, the plaintiff entered into a contract with the defendant Andrew Carnegie for the acquisition of an additional 1 per cent of the capital of the association at its book value; and thereafter, to wit, on the 1st day of May, 1891, a further contract was entered into between said plaintiff and the defendant Andrew Carnegie for the acquisition by the plaintiff of an additional 8 per cent of the capital of the company at its book value. For the interest thus acquired the plaintiff made no cash payment, except as hereinafter stated, but was charged in account with the book value of the same, and from time to time with interest on said book value at the rate of 6 per cent per annum, and in turn was credited with the dividends as the same were from time to time declared. Said dividends largely exceeded the interest charged upon the book value, and by these credits the charge against the plaintiff for the purchase price was rapidly reduced.

In the month of February, 1895, the plaintiff was the owner of 11 per cent of the capital of this association, upon which he then was indebted to the said Andrew Carnegie in the sum of $1,809,191.83 as a balance of the purchase price. For this amount, however, under his agreement with Andrew Carnegie, he was not personally liable, the interests acquired being only security therefor, and the only asset out of which the said Carnegie was entitled to collect the purchase price. It being then a period of general commercial depression, particularly in the iron and steel industries, the plaintiff went to the said Andrew Carnegie and expressed to said Carnegie a desire to reduce his holdings in this association, and requested the said Carnegie to purchase from him at the then book value 5 per cent out of the 11 per cent then held by plaintiff. In compliance with his desire, and to relieve the plaintiff of the charge which the plaintiff then declared to be a burden upon him, the said Carnegie acceded to said request, purchased said 5 per cent, and gave the plaintiff credit for the book value thereof as it then stood, which was greatly in excess of the price at which the plaintiff had acquired it.

By reason of said retransfer of said 5 per cent the interest of the plaintiff in the capital of this association was reduced to 6 per cent of the whole, and the balance due by said plaintiff for the purchase price was finally adjusted and settled as between the plaintiff and the said Andrew Carnegie by the said Carnegie taking in payment of said balance, $129,000 in bonds of the H. C. Frick Coke Co., at par, and $191.93 in cash.

Seventh. The averments contained in the seventh paragraph of the bill of complaint, although partially true, are not true in manner and form as made.

It is true that on the 14th day of January, 1889, the plaintiff was elected chairman of this association. It is true that the plaintiff was reelected as chairman from year to year, and continued to act as such until January 11, 1895. From January 11, 1895, to December 5, 1899, the plaintiff was only chairman of the board of managers. On January 11, 1895, the by-laws was

amended and the office of president of this association was created, in whom were vested the general executive powers which had prior to that time been exercised by the chairman, and the duties of the chairman of the board of managers were limited to presiding at the meetings of the board, and to being ex officio a member of all committees of the same.

Since the creation of the office of president in the year 1895, the business of the association had been conducted under the direction, supervision, and management of the persons who from time to time held the office of president. From January 11, 1895, to April 1, 1897, this office was filled by Mr. John G. A. Leishman. Since the resignation of said Leishman, said office has been filled by C. M. Schwab, who now holds it. The duties of the plaintiff, as chairman of the board, have been largely of the advisory character incidental to the office. He has attended the meetings of the board with regularity, and kept himself actively informed as to the business of the company, but his time has been largely employed in attention to his duties in connection with other enterprises in which he has been interested, and in various speculative schemes for placing the property of the association in the hands of promoters to be floated in marketable securities on the public.

We do not question that in certain lines the plaintiff is a man of ability, and we should have been glad to have him continue in the business of said association had not he himself rendered such continuance impossible. The principle upon which this association is organized and conducted is that while various departments shall be committed to the management or supervision of the various members, all shall cooperate to the accomplishment of the general design, and to the success of the business, and that in the action of the board of managers all matters submitted shall have the consideration of the nine members of said board and the benefit of the independent judgment of each. The plaintiff, notwithstanding his ability, is a man of imperious temper, impatient of opposition, and disposed to make a personal matter of any difference of opinion, even on questions of mere business policy. At times, moreover, he gives away to violent outbursts of passion, which he is either unable or unwilling to control. He demands absolute power and without it is not satisfied. After January 11, 1895, when he ceased to be chairman of said association, and became merely chairman of its board of managers, the plaintiff was and continued to be restless and dissatisfied. He sought an enlargement of his powers, which could not be properly granted for the reason that such action, it was thought, would indicate a lack of confidence in the president of the association and would tend to destroy the influence and authority of his position as the chief executive. The plaintiff chafed under the limitation upon his powers, and the discordant situation which has acutely developed during the past year is largely due to the plaintiff's dissatisfaction with the transfer of the chief executive powers of the association to the president.

It is true that the defendant Andrew Carnegie has for many years past resided in the city of New York and that he has spent a portion of his time abroad. He has not been in recent years either an officer or manager of said association, nor has he undertaken the charge or management of its business in general or in detail; but nevertheless, whether at home or abroad, he has always kept in close touch with said business and the management thereof, and in an advisory way has from time to time participated in said management.

The practice of the association since the year 1895 has been to hold weekly meetings of its board of managers. At these weekly meetings full reports are made from all departments with respect to all matters of interest in the association's business. The substance of the discussions at these meetings is taken down stenographically and a copy of these proceedings furnished to each absent manager and to the defendant Carnegie. The proceedings are then entered in a book, and this record has been approved by the plaintiff in writing as chairman of the board, whereby the plaintiff has at all times had full and complete notice and actual knowledge of all matters transacted in the meetings of said board of managers. The defendants beg leave to refer at length to these proceedings as containing evidence of the close and careful attention given by the defendant Andrew Carnegie to all matters of importance in the management of the current business of the association, and also of the notice and knowledge of said matters had by the plaintiff.

We deny that about December 5, 1899, Carnegie, without cause and actuated by malevolent motives, demanded the plaintiff's resignation of his position as chairman of the board of managers. We aver that the only motive which actuated Carnegie was a desire for what he believed to be, and what in fact

was, for the best interests of the association. We deny that plaintiff's resignation was demanded by Carnegie. The plaintiff was informed by Carnegie that he had better resign for his own sake and to avoid the necessity of a refusal to reelect him at the approaching annual meeting. This, however, was done in the kindliest spirit and after all the acting members of the board of managers had signed a paper requesting the plaintiff to resign his office. We deny that plaintiff's resignation as chairman was actuated by any other motive than a desire to escape the humiliation of being removed without his consent by his partners. We admit that the plaintiff had participated in the association's business up to the time of his resignation, and that some of its affairs were conducted under his supervision.

Eighth. The averments contained in the eighth paragraph of the bill of complaint, while partially true, are not true in manner and form as made.

Andrew Carnegie was a member of this association from the date of its organization and he was also a member of the limited partnership association which existed under the name of Carnegie, Phipps & Co. (Ltd.). He is a member of this association, which by its change of name became known as the Carnegie Steel Co. (Ltd.), but he did not become a member thereof by signing the certificate executed in the year 1892. His membership in this association arises out of his original subscription to its capital in the certificate of organization which bears date the 1st day of April, 1881, and which is annexed to the bill of complaint as Exhibit B. He is, and has been since its organization, a member of the association, and at the present time his interest in the capital thereof is 58½ per cent.

It is true that some of the members whose names are affixed to the amended certificate of 1892, which is annexed to the bill of complaint as Exhibit A, erroneously styled "The original articles of association of the Carnegie Steel Co. (Ltd.)," have disposed of their interests in the association, and that from time to time new members have been admitted who have acquired the interests thus disposed of. All of said transfers have been made upon the books of the association upon the basis of the "book value" thereof, as prescribed in the agreement known among the members as the "ironclad agreement," of which a copy was annexed to the contract under which the plaintiff became a member of the association and which is printed as Exhibit A to this answer. It is, moreover, the same system followed by the association with reference to the acquisition by the plaintiff of his interests therein and which enabled the plaintiff to acquire and pay for said interests without the expenditure or investment of any of his own funds, except to the extent hereafter stated.

It is true that the members who have been admitted to this association since July 1, 1892, are still chargeable with a balance due upon account of the purchase price of the interests to which they have been admitted, and that the interests of said members are held as collateral for the full payment of said balance, and that Andrew Carnegie, Henry Phipps, jr., George Lauder, W. H. Singer, and H. P. Bope, with the plaintiff, are the only persons who, on the 31st day of December, 1899, held their interests free from such charge, and that the list of shareholders in this association on the 30th day of December, 1899, is as stated in the eighth paragraph of the bill, and that since said 30th day of December, 1899, certain changes in membership have been made, as stated in said eighth paragraph of the said bill.

We admit that Andrew Carnegie's interest in this association has always exceeded 50 per cent. The said Carnegie's holdings have fluctuated from time to time, caused by purchases made by him whenever anyone desired to sell his holdings and no other purchaser could be found, said Carnegie being always willing to pay the value of the same as shown on the books of the association. The interests which have been sold from time to time to new members, including plaintiff, have been largely furnished by the said Carnegie, and always at the "book value," he always being willing to sell for the sake of taking in new members. While, however, it is true that the interest of said Carnegie in the association has always exceeded 50 per cent of the entire capital, it is not true, as is in the eighth paragraph of the bill insinuated, that by said interest he has controlled, or sought to control, his associate members.

The fact is that by reason of his age, and experience as one of the few surviving founders of the business, and the friendly relations which said Carnegie has always maintained with the other members of said association, as well as by reason of his large interest therein, many or all of the members and managers thereof are ready and willing to hear with deference and to consider with care his views on any matters pertaining to the management of said

business, but said Carnegie does not ask or expect them or any of them to defer to his judgment regardless of their own personal beliefs or convictions, and, on the contrary, does ask and expect them and all of them to exercise their own judgment in any and all matters pertaining to said business, and to govern their actions accordingly, and they are accustomed so to do.

The extent of the interest which the said Andrew Carnegie now holds and always has held in this association, to wit, an interest in excess of 50 per cent. has resulted rather from the necessities of the case than from any desire or intention on his part to hold a controlling interest in said business. The said Andrew Carnegie first engaged in the iron business in the city of Pittsburgh about 40 years ago, and ever since has been continuously engaged therein and the enterprises developed therefrom. About 30 years ago he became convinced that the methods then in general use in the manufacture of iron would be soon and rapidly superseded by new methods and processes for the manufacture of steel, and that the use of steel would be greatly increased and would for very many purposes take the place of iron. In this view the said Andrew Carnegie in association with others engaged in the manufacture of steel rails. The business so begun and the properties connected therewith formed a part of the plant acquired by Carnegie Bros. & Co. (Ltd.) at the time of its organization in 1881.

Both before and after said date many of those interested in said business with the said Andrew Carnegie withdrew or retired—some because of discouragement with the prospects of the business and some for other reasons. During all this time, covering the inception and development of the business, the said Andrew Carnegie was the one man connected therewith who never lost faith in the business, and who never faltered in his belief that the city of Pittsburgh and its vicinity presented the most favorable locations for the establishment and development thereof; and the said Andrew Carnegie by reason of his said faith and belief always stood ready to take the interests of any and all such discouraged, timid, deceased, or retiring members, and did in fact from time to time take and acquire the same, and thus in the end at and prior to the organization of Carnegie Bros. & Co. (Ltd.), held a majority interest therein. His majority interest now owned is in part made up of portions of the interests of others who have continued to be members of said association. The holder of the next largest present interest heretofore reduced the same nearly one-third, and the plaintiff heretofore reduced his interest nearly one-half, both of which reductions came about because the said Andrew Carnegie, at the urgent request of his said associates, was induced to purchase the said portions of their respective interests at the value thereof as shown by the company's books. So far from using his said majority interest for the purpose of personally controlling the said business or of controlling his partners therein, it is the fact that at the suggestion and request of the said Andrew Carnegie the organization of the said association is now and for years has been such as to deprive the said Andrew Carnegie, in large part, of such control. It is expressly provided by the by-laws of said association that the members thereof, by a majority in number as well as in value of interest, shall elect the managers, and by such provisions the power and influence of the holders of small interests are preserved and protected.

The averments of the eighth paragraph of said bill in so far as inconsistent herewith are denied.

Ninth. The averments contained in the ninth paragraph of the bill of complaint are not true in manner and form as made, although it is true that the business of this association has been profitable since its organization, and during the last three years has been very profitable and successful.

And it is true that in the month of November, 1899, when the said defendant Andrew Carnegie, the plaintiff, and others connected with the said steel company were at luncheon, the various persons present, largely by way of jest or banter, undertook to make estimates of the profits of the company for the year 1900, and that the defendant Andrew Carnegie, under the conditions then existing, did make an estimate substantially as averred in the ninth paragraph of said bill. Such estimate, however, was a mere guess at results to be ascertained 14 months in the future, and which then were and still are involved in great uncertainty.

It is also true that for the year 1899 the profits of said company were substantially as averred by the plaintiff in said paragraph. The profits so stated, however, refer only to the difference between the amount of sales and the actual expenses of manufacture, and do not by any means indicate the amount available for distribution as dividends among the members of said association.

The actual capital of said association by reason of its accumulated and invested earnings is largely in excess of its nominal capital, and the present condition of prosperity in said business is entirely exceptional. It is greater than it has ever been in the past, and its continuance is altogether uncertain. Moreover, in order to maintain the standard of economy and efficiency which is requisite to the continued success of the company, it has been necessary in the past and will be necessary in the future to absorb a large part of the annual profits of the company in extension and enlargement of its property and facilities, in the purchase of modern machinery and appliances, and the adoption of new methods and processes. Of the profits of the year 1899 above referred to, it was not thought proper to distribute more than one-fourth thereof as dividends among the members of said association, and the remaining three-fourths necessarily went into the business of the company.

It is not true that on December 31, 1899, the said association had assets or property, either real or personal or tangible, in any form which the said association in its legal capacity could transfer which were worth $250,000,000; nor did the defendant Andrew Carnegie ever assert that said assets were in excess of that sum. The said Andrew Carnegie has repeatedly expressed the opinion, with reference to the earning capacity of said company, that the personnel of its organization was worth more than all the property of the company. It is true that the said Andrew Carnegie has expressed and still holds sanguine views as to the future of said company, but any such views are based upon the maintenance of the organization of the said company in its present condition of efficiency and harmony.

The facts, which the plaintiff has distorted in order to give color to the averments contained in the ninth paragraph of the bill, are these:

For some time past the plaintiff has been interesting himself in schemes to transfer the property of this association—at first to a proposed combination of steel companies, and later to a corporation whose securities might be floated on the market and disposed of to the public upon the basis of a capitalization of the earning power of the plant owned by the association in combination with the skill, experience, and ability of its members. We have no purpose or intent to depreciate the earning power of our property when managed by its present organized membership. But it has always been the policy of this association from its outset to regard itself as an association of individuals who have united together their fortune, their talents, and their industry to manufacture iron and steel in all branches in the best form, by the best processes, and at the most moderate cost, and by such attention to the true purpose of its organization to produce for those interested in the association the largest profits which can be made. As a means of securing the best results and the most intelligent attention to the details of the business, by which alone can manufacturing operations be conducted at a profit, it was the policy of those whose intelligence and faith in results founded the business to associate with themselves from time to time a number of young employees, who, by becoming directly members of the association, would be stimulated to the very best work. The result has justified the belief that this method was the true method of carrying on large operations, and the profits which have resulted do not represent simply earnings or interest on the capital invested, but have been the product from year to year of the brain, intelligence, and industry of the several members who, in their separate departments, have so conducted the business of the association as to produce this profit. Any capitalization of the earning power of the enterprise as a going concern would in nowise represent only the value of the plant and other property which are the assets of the association, and to which alone upon his withdrawal, retirement, or exclusion from the association the plaintiff is entitled to an account.

Such capitalization would be based upon the continued operation of the plant by the members, upon whose future earning power the plaintiff has no lein or claim.

Having so answered, we do respectfully suggest that any such estimate of values of our assets as is contained in the ninth paragraph of the plaintiff's bill is wholly immaterial, as we are advised, in the present case. The rights of the plaintiff touching the price which is to be paid to him for his interest are based altogether upon the "ironclad agreement" to which he is a party. The value of his interest is by the terms of said agreement to be ascertained by reference to the books of the company. Those books were under the supervision of the plaintiff until the day of his resignation from the chairmanship of

our company, and the entries have been made from time to time in accordance with his express judgment.

These books show that the net value on the 31st day of December, 1899, of the assets of the association was $75,610,104.06. To a large extent this book value represents the actual cost of the properties represented in the balance sheets of the association. From time to time during the plaintiff's membership in the association he and other members were appointed a committee to revalue certain assets. In every instance of such revaluation the plaintiff himself has been a member of such committee, and the values now entered and the properties included as having value may be taken as the plaintiff's own statement of their value to his fellow members, on which, during the plaintiff's membership, more than 15 settlements have been made with retiring members or the estate of deceased members.

In the year 1892, and in anticipation of the dividend of profits which was then declared, the assets of the association were carefully revalued and appraised by a committee consisting of H. C. Frick, H. M. Curry, and F. T. F. Lovejoy.

Again, in the year 1899, at the suggestion of a committee consisting of H. C. Frick, Henry Phipps, jr., and F. T. F. Lovejoy certain changes were made in the "book values" of the assets of the association, and the result thus reached was a just, fair, and reasonable valuation of said assets and was so accepted by the association.

Every month a balance sheet of the association's asssets and liabilities has been prepared and a copy of the same furnished to the plaintiff, on which balance sheet the "book value" of the capital is clearly shown; and we aver that the valuation of the assets as shown on said books and balance sheets is a full, fair, and accurate valuation of the same, and that there has not been omitted from such books and balance sheets any asset which should properly find a place thereon.

Tenth. No tenth paragraph in bill.

Eleventh. The averments contained in the eleventh paragraph of the bill are not true, and in particular it is not true that the defendant, Andrew Carnegie, has conceived a personal animosity toward the plaintiff. If any animosity exists, such animosity exists solely on the part of the plaintiff. The defendant, Andrew Carnegie, has at all times entertained and exhibited toward the plaintiff the most kindly sentiments, and although there have been times when it became necessary to oppose the views and projects of the plaintiff, the said Carnegie has endeavored at all times to deal with him in the most generous spirit and with the most sincere regard for his interests.

The innuendo that an animosity had arisen from the failure of the plaintiff, in connection with others, to avail of an option given by said Carnegie, as referred to in the eleventh paragraph of the bill, is not true, because the fact is that the defendant, Carnegie, was never anxious that the said plaintiff and his associates should avail of said option. The facts with reference to the same are these:

As has been hertofore stated, the plaintiff has for some years past been desirous of transferring the property of this association to a corporation upon a large capitalization and to float its securities with the general public. The said Carnegie had never been inclined personally to favor said scheme.

Early in the year 1899 the plaintiff, with W. H. Moore and Henry Phipps, jr., conceived the scheme of effecting an organization to purchase the property and business of this association and of the H. C. Frick Coke Co., and thereafter said Frick and Phipps requested an option for the purchase thereof for the price of $320,000,000, being on the basis of $250,000,000 for the property of this association and of $70,000,000 for the property of the said coke company, it being understood that the older members of this association should permanently retire from said business and that the younger members thereof engaged in the active practical management of the business should bind themselves by contract to remain with the new organization for specified periods. After negotiations it was finally agreed that an option for said purchase should be given for a limited period upon the payment of the sum of $200,000 as an earnest of good faith, the same to be credited as a part of the price should said purchase be made, and otherwise to be forfeited. Frick and Phipps thereafter persuaded the other members of the association (with the exception of Mr. Carnegie), to the extent of their respective interests in the company, to release Frick and Phipps from the payment of any cash consideration for said option. This ar-

rangement resulted in the execution and delivery of two options, to wit, one by Carnegie with respect to his interest in both companies and the other by the other members of the association, the former of which was made for a cash consideration, of which $1,000,000 was paid by said Moore and $170,000 was paid in equal shares by Frick and Phipps; and the latter of which was made for a nominal consideration.

According to the plan, Carnegie was to receive $100,000,000 of the price mentioned as coming to him in bonds, and the balance thereof, about $57,950,000, in cash. It is not true, however, that Carnegie thereby attained any advantage over the other members of the association. He rather suffered a disadvantage, because the options given by the other members provided for a payment to them entirely in cash or in securities at their option. The price fixed in said option was based upon the proposition that said Carnegie should go out and stay out of the steel business, but that the junior members should be employed by the proposed corporation for a term of years.

Many of the junior members of the association were attracted by the scheme which gave them the opportunity not only of future employment in the conduct of the business, but also of realizing at once upon a capitalization of their future earning power, and to comply with their wishes the defendant Carnegie acceded to the suggestion of giving the option and received his share of the price paid for the same. The parties to whom the option was given, however, when the time came to exercise it, were unable to carry out its terms and to provide the money needed to complete the purchase, so that when the option expired, the said Carnegie, seeing from a business standpoint the impracticability of the plans of the plaintiff and his associates, declined to modify or renew said option, and thereafter the plaintiff manifested in his relations to the said Carnegie, and in the performance of his official duties as a member of the board of the association, an increasing animosity toward the said Carnegie.

Prior, however, to said transaction, and as early as the month of March, 1899, the plaintiff caused to be spread upon the proceedings of the board of managers remarks made by him which tended to introduce controversy of a personal character into the business of the association. From time to time these insinuations and innuendoes were spread upon the minutes with a more intense exhibition of feeling, and culminated in a formal paper which the said plaintiff introduced and caused to be spread upon the minutes of the meeting, in the month of November, 1899, which was calculated to destroy all harmony of action in the board.

As a result of the plaintiff's attitude a large majority of the members, both in number and value, determined that it was necessary, for the protection of their interests as members of the association, as well as of the association itself, that the relations of the plaintiff to the association should be severed. As to the manner in which the same was done and the authority therefor, reference will be made in the answer to the twelfth paragraph of the bill.

And in particular we do deny that any scheme was conceived by us, or either of us, or by any of our members, to forfeit any interest or right of the plaintiff, or that the plaintiff had any right in the association which was of the value of $15,000,000, but, on the contrary, we do aver that it has been our purpose, and the purpose of our associates, acting in the premises, that the plaintiff shall be paid for his interest in the manner prescribed in the contract, to which all the members of the association, including the plaintiff, are parties.

Twelfth. The averments contained in the twelfth paragraph of the bill of complaint, taken in their entirety, are untrue. The facts are as follows:

A meeting of the board of managers was held on the 8th day of January, 1900. The plaintiff was not present at said meeting, as he had theretofore resigned the office of chairman and manager, and his resignation had been accepted. It is not true that the statements contained in the resolutions adopted at said meeting were either false or misleading; but in fact nothing which took place at said meeting has any relation to plaintiff's right of membership in this association or his exclusion therefrom.

On the 10th and 11th days of January, 1900, more than three-fourths in number and interest of the members of this association signed a writing, of which the following is a copy:

"Under the provisions of a certain agreement between the Carnegie Steel Co. (Ltd.) and the partners composing it, known as and generally referred to as the 'ironclad' agreement, we, the undersigned, being three-fourths in number of the persons holding interest in said association and three-fourths in

value of said interests, do now hereby request Henry C. Frick to sell, assign, and transfer to the Carnegie Steel Co. (Ltd.) all of his interest in the capital of the Carnegie Steel Co. (Ltd.), said transfer to be made as at the close of business January 31, 1900, and to be paid for as provided in said agreement.

"Done at Pittsburg, Pa., this 10th and 11th days of January, 1900.

"C. M. Schwab, Gibson D. Packer, D. G. Kerr, H. E. Tener, jr., A. C. Case, Jno. McLeod, Lewis T. Brown, Geo. E. McCague, W. B. Dickson, E. F. Wood, Geo. Megrew, J. E. Schwab, Homer J. Lindsay, Alex. R. Peacock, Millard Hunsiker (per C. M. Schwab), Andrew Carnegie, Geo. Lauder, A. M. Moreland, James Gayley, D. M. Clemson, Thos. Morrison, L. C. Phipps, Chas. L. Taylor, Jno. C. Fleming, W. W. Blackburn, H. P. Bope, James Scott, W. H. Singer, W. E. Corey, Geo. H. Wightman, J. Ogden Hoffman. Chas. W. Baker (power attorney)."

The execution and delivery of the said writing was the free and voluntary act of each of the persons who signed the same, and we expressly deny that any of said persons was forced to sign the same by the said Andrew Carnegie, or was even requested by him so to do. We further deny that said writing was so signed in pursuance of any fraudulent intent or scheme whatever, and aver that the only motive inducing said persons to sign the same was their belief that said action was for the best interests of the association and its members.

The action thus taken was pursuant to the terms of the agreement which for many years has been known among the members of the association as the "ironclad agreement."

The history of this agreement is as follows:

Very shortly after the formation of this association in the year 1881, it became apparent that its true interests would be best subserved by admitting to membership, from time to time, various young men who were acquainted with its business and actively engaged therein. The plan therefore was conceived and adopted that shares or interests in the capital should be furnished by the older members of the association for that purpose. The understanding was that in all dealings between the association and its members the values of such interests should be conclusively determined at their "book value," as heretofore explained, and in order to furnish holdings for this purpose the association did, on the 31st day of January, 1884, purchase certain interests from Andrew Carnegie, Thomas M. Carnegie, and Henry Phipps, jr., at "book value," as shown January 1, 1884. These interests were subsequently sold at "book value" by the association to three young men whom it was deemed desirable to interest in the business of the association.

The purchase price was to be and actually was paid by them out of the profits from time to time declared and distributed as dividends on said interests. It became the rule of the association that when any partner desired to leave the association, it would purchase his stock at its "book value," and when any partner died, it would purchase his interest in the like manner and at the like price, and that said interests so purchased should be used by the association for the purpose of interesting new men therein, to be sold to them at "book value," and paid for by them out of the profits. As the membership in the association increased, it was deemed advisable to put said agreement in formal shape, so as to prevent misapprehensions, and after discussion among all the then members of the association, and after submitting the matter to the association counsel, a formal agreement was drawn up, dated, "This —— day ——, A. D. 1897," between this association, "party of the first part, and ——— ———, parties of the second part," which was actually executed by this association and by some of its members on the 10th day of January, 1887, and is referred to in the subsequent minutes of the association as an agreement of that date. The said agreement was read at a shareholders' meeting on January 18, 1887, and spread at length upon the minutes and formally approved and adopted by the association and directed to be executed on the part of the association. At that meeting all the shareholders were present. At the time of the adoption and execution of said paper the plaintiff, H. C. Frick, had no interest whatsoever in this association.

In and by the terms of said contract, each of the several parties of the second part thereto, acting for himself, agreed with this association, the party of the first part, that he would at any time thereafter, when three-fourths in number of the persons holding interests in this association and three-fourths in value of said interests should request him, sell, assign, and transfer to this association all of his interest therein, and that said transfer should at once

terminate all his interest in and connection with this association; that the request of the number and value should be evidenced by a writing signed by the persons owning the same, a copy of which should be delivered to the party of the second part; and it was further agreed, and this association did covenant, that it would pay therefor to the party so assigning the value of the interest assigned as it should appear to be on the books of this association on the first day of the month following said assignment, and that it would make payment therefor in a certain manner differing according to the extent of the interest purchased, and which in the case of a person owning 6 per cent of the capital should be paid for one-fourth cash within six months after the date of assignment, and the balance in five equal annual payments from the date of the assignment, to be evidenced by the notes of this association. It was furthermore therein agreed that the agreement was irrevocable, and (that it might be carried out in good faith, and notwithstanding any effort on the part of any party of the second part to evade it) each party of the second part appointed the person who at the time when he should be called upon to act should be chairman of this association his attorney, for him and in his name to assign and transfer his interest in this association whenever it would be his duty under the agreement so to do; and it was furthermore declared that said appointment was irrevocable, was coupled with the party's interest in this association, and would warrant the said attorney to act just as efficaciously after the party's death, or after he had attempted to revoke the power or evade the agreement as if he were living and acting up to it in entire good faith. It was further provided and declared in said agreement that the same evidenced the settled policy of this association and all of its members in entire good faith, and with all effort on their part to carry out its true spirit and meaning—

"All of us being satisfied that if we do so it will be greatly to the benefit of Carnegie Bros. & Co. (Ltd.), and that any effort upon the part of either of us to evade any of the provisions of the same will most properly prove our unfitness to be connected with said association."

And that any person signing the agreement should become a party of the second part thereto with the same effect as if named in the body of the same.

During the said month of January, 1887, said agreement was duly executed by the association and by every member thereof.

When the plaintiff first became interested in this association he executed a written article of agreement on 31st day of January, 1887 (Exhibit A hereto), by which he agreed to purchase a certain interest therein, and it was expressly stated in the agreement that the same was made subject to all the terms of the contract of January 10, 1887, between this association and individual members thereof, a copy of which was thereto annexed and made part thereof (the same being the "ironclad agreement" last hereinbefore mentioned), and it was further stated that by the signing of this agreement the said plaintiff—

"Intends to and hereby expressly stipulates that he will comply with all the terms of said annexed agreement."

Shortly thereafter the plaintiff in accordance with the terms of said agreement did sign the "ironclad agreement" of January 10, 1887, hereinbefore referred to, and his purchase of an interest in this association and his subsequent admission to membership therein was conditioned upon his signature to and his agreement to abide by the provisions of said agreement.

In anticipation of the plaintiff's said agreement of January 31, 1887, at a meeting of the managers of this association held January 24, 1887, it was resolved that in selling interests in the association theretofore acquired by it from Mrs. Lucy C. Carnegie, as executrix of the estate of Thomas M. Carnegie, deceased, certain conditions should be annexed thereto and set forth in formal agreements to be prepared by the company's counsel, and it was, at the same meeting, further resolved that of the interests so to be sold 2 per cent, representing $100,000 of our capital, at par, should be transferred to Henry Phipps, jr., one of our members, as trustee. This action was taken in order that the contemplated acquisition of such 2 per cent by the plaintiff should be carried into effect.

We aver that on the 14th day of January, 1889, the plaintiff, H. C. Frick, was elected chairman of this association; that after his election as chairman it was deemed advisable by the members of this association to prepare a printed draft of the agreement of 1887, so that it should be signed by the new members who might come in and each member might have a copy thereof, and under the advice and direction of said Frick the same was printed with a slight modification in its

opening paragraph, so that it should read as an agreement made the 10th day of January, 1887, and on certain dates thereafter, between this association and each one of the members who has thereto affixed his name, but that the said printed copy is in other respects identical with the original contract of 1887, and in it it was declared again that it stated the settled policy of the company and of its members, and that its enforcement would be greatly to the benefit of the company and all of its members, and that any effort upon the part of anybody to evade it would most properly prove his unfitness to be connected with this association. After said draft had been reprinted it was executed by this association, by H. C. Frick, as chairman, and was signed from time to time thereafter by various new members, as they were elected to this association, who had not signed the original ironclad of 1887.

At or about this time the said contract or fundamental law of this association began, by reason of its terms and stability, to be known among all the members of this association as the "ironclad agreement," and is mentioned from time to time on the minute books of this association under said name.

The standard form of resolution of the board of managers, under which authority was given for the transfer to new members of interests in the capital of the association, was as follows:

"*Resolved*, That F. T. F. Lovejoy, trustee, be and is now hereby directed and authorized and empowered to transfer out of trust ——— certain capital of this association to the persons and in the amounts named, as follows, to wit:

Names.	Amounts.

at its 'book value' at the close of business ——— ——, 189—, subject to all the conditions of the ironclad agreement and subject to confirmation at the next meeting of the shareholders."

Resolutions, substantially as above set forth, appear in the minutes of the board of managers, approved by the signature of the plaintiff, as chairman, with reference to transfers of interests in the capital to more than 30 members between 1892 and 1900.

In the year 1892 the matter was discussed in the association of revising the form of said agreement, and the secretary prepared another printed draft of said "ironclad agreement," substantially in the same form as the printed draft, the last before referred to, with a modification in the terms of payment in the case of partners holding more than 20 per cent of the capital; and in this agreement it was again declared that the same evidenced the settled policy of this association and of its members, and that it was greatly beneficial to this association and its members to carry out the same in good faith, and that any effort on the part of any person to evade any of its provisions would most properly prove his unfitness to be connected with this association. This draft of the "ironclad agreement" bears the printed date of July 1, 1892. It was executed for this association by H. C. Frick, chairman, and by various members of the association individually, including H. C. Frick, said signatures having been added from time to time down to the present date. All the drafts of this agreement contain identically the same provision as to the acquiring and purchasing the interest of a partner holding 6 per cent of stock in the association, and all of them contain provisions for the purchase of stock held by all the members of the association, the only difference being in the terms of payment proportionate to the amount of capital held.

In December, 1896, the question of revising the "ironclad agreement" was brought to the attention of the managers of the association with the twofold object, as expressed by the plaintiff to his fellow members, of making the terms of payment easier for the association in the case of partners holding a large interest, and of making its provisions more specific as to some details understood by the parties but not fully expressed in the first draft of the agreement, and during the whole year of 1897 the subject of a revision of the "ironclad" in those particulars was under discussion, and finally a form was reached which, it was thought, would be satisfactory to all concerned, and it was expressly understood and so stated in this draft that it should make void and of no effect the existing "ironclad" when it had been executed by all the members. In this new draft it was again stated and declared that the "iron-

clad agreement" was the settled policy of this association and of its members, and that they were all convinced that it was greatly to the benefit of this association and to each member thereof, and that any effort on the part of any member to evade any of its provisions would most properly prove his unfitness to be connected with this association. This draft was executed by this association by H. C. Frick as chairman. Its object was, primarily, to provide for the acquisition of the interests of Andrew Carnegie and Henry Phipps, jr., upon the terms of payment running substantially over 50 years, instead of the much shorter terms in the existing "ironclad," and was prepared at the instance and request, primarily, of Mr. Frick, the plaintiff. It was accepted and signed by Andrew Carnegie. Mr. Phipps, however, refused to sign the same, giving as a reason therefor that he was satisfied with the "ironclad," which treated him the same as the rest of the partners, and that he would not sign a paper which was less favorable to him than it was to the holders of the small interests, and the said attempted revision of 1897 was thereupon abandoned and the old "ironclad" left in force.

While this matter was under discussion, and so recently as a meeting of the board of managers held on the 19th day of October, 1897, the question of the new agreement and its execution being under consideration, and objection to the form of such new agreement having been made by the defendant, Henry Phipps, jr., the plaintiff made a statement to the board, of which the following is a copy:

"Mr. Frick. I do not know the nature of Mr. Phipps's objection to the agreement, having on the subject no letter from him other than that just read. He has, of course, the right of objection, and his views are entitled to the fullest consideration. In this letter he speaks in general terms as to two points: First, the legality of the agreement; and, second, the wisdom of purchase of capital under the agreement. Mr. Lovejoy can, no doubt, inform us as to the origin of the one we now understand to be in force."

And this statement having been made by the plaintiff, the defendant, F. T. F. Lovejoy, in response to his request, made a statement, of which the following is a copy:

"Mr. Lovejoy. The original 'ironclad agreement' was prepared in December, 1886, and January, 1887, was submitted to the shareholders at a meeting held January 18, 1887, with W. H. Singer in the chair, and was approved and its execution authorized, on the motion made by Henry Phipps, jr., and seconded by John Walker. The original agreement bears Mr. Phipps's official signature as chairman and personal signature as shareholder. It was drawn up by D. T. Watson, and its legality in all respects has never been seriously questioned. It has had, including this last, two careful revisions, each being submitted to Messrs. Knox & Reed and to Mr. Packer for careful examination and criticism, and it is believed no stipulation therein is other than legal and just."

And that statement having been made to the board, the plaintiff made a further statement in words following:

"Mr. Frick. That applies to both points; Mr. Phipps certainly believed the agreement to be both legal and wise, or he would not have taken an active part in its execution.

"On the question of policy, it is certainly better for this association to control the ownership of its capital by such an agreement, its only alternative otherwise being to elect the executors or administrators of the estate of a deceased partner to membership in the association, thereby dividing its earnings with an estate the representatives of which can not in any wise aid it in the conduct of its business, either by service or advice; or, on the other hand, to submit to an appraisement of the capital held by such estate and to pay in cash the amount so found to be due. Mr. Phipps's expression, 'Better new capital than no capital,' is entirely correct; but there is no provision whatever, either in the law or in this agreement, which would prevent the company from selling any part of its capital purchased from an estate to any person or persons whom the surviving members might regard as desirable partners.

"The old agreement we believe to be legally operative until this revision has been signed, and as the only changes made, other than the extension of the stipulated times of payment, are for the better understanding and carrying out of the details, understood, but not fully expressed, in the first agreement, and as the present form is satisfactory to every member of the association who has examined it, with the exception of Mr. Phipps, I am of the opinion we should proceed to print and execute the agreement. Mr. Phipps is a fair man, especially so in looking after the interests of his junior partners, and I fully believe will withdraw his objections after he has talked the matter over with Mr.

Carnegie and with the members of the board. It was expected that Mr. Phipps would sail for Pittsburgh on October 28, but I learn that he has deferred his visit until November 15."

All of which appears in the minutes of the meeting of that day, as entered in the records of this association, to which record is affixed the signature of the plaintiff, approving the same, under the date of October 26, 1897.

The statements made by the plaintiff to that meeting of the board of managers we aver to be strictly accurate, and to truly express the contractual relation which existed and was known by all members to exist in the association.

During all this time and down to the present time the ironclad agreement has been the fundamental rule of this association. During all the years that the plaintiff was chairman of the association the interests of any partners who desired to withdraw from the association were acquired by the association, through Frick as its active agent, under the terms of said agreement. During all these years, whenever a partner was deemed to be unsatisfactory by his associates, he was informed of that fact, generally by Frick, with the statement that the company would pay for his interest under the terms of this agreement, and that if such settlement was not accepted voluntarily, he, Frick, would enforce the agreement. During all these years, when partners died, this association, through Frick, its chairman, at once notified their executors of the existence of this agreement and of the exercise by this association of its right to purchase thereunder, and in every instance the said Frick did acquire the interest for the association, and settled for the same with the executors at the value as shown on the books of this association in accordance with the terms of the ironclad agreement. This course of dealing by this association through the said Frick with its members continued up to the time of his resigning as chairman and manager of this association, and up to the time of the filing of the bill in this cause no member of this association, except the said Frick, has questioned or attempted to evade said ironclad agreement.

This is evidenced by the minutes of a meeting held on May 18, 1897.

"At a meeting of the board of managers of the Carnegie Steel Co. (Ltd.), held at the general offices of the association, Carnegie Building, Pittsburgh, Pa., at 12.30 p. m., on Tuesday, May 18, 1897, there were Messrs. Frick (chairman), Singer, Curry, Schwab, Leishman, Peacock, and Lovejoy (secretary); also Messrs. Thomas Morrison, W. W. Blackburn, and D. M. Clemson. (Mr. Phipps abroad; Mr. Pontefract ill.)

"Mr. Frick. Under the 'ironclad agreement' we have the right, at any time during the four months succeeding the death of our partner, H. W. Borntraeger, to purchase his interest at its book value on the first day of the month succeeding his death. The secretary should be instructed to notify the Fidelity Title & Trust Co., the executors of Mr. Borntraeger's will, that we will avail ourselves of the option.

"On motion (Messrs. Schwab and Curry), the secretary was so directed; the vote being unanimous.

"Mr. Frick. It is well for the board to note, in this connection, that it is the old 'ironclad agreement,' dated July 1, 1892, which will govern this settlement, the new 'ironclad agreement' under consideration not having been signed by all the members. This will make one-fourth of the value, something over $200,000, due in cash within 90 days, the balance in notes maturing 1 and 2 years after his death. This will make the payments pretty heavy, as it was not contemplated at the time of making the agreement that the book value would be so high.

"On motion, adjourned."

This minute is approved with the signature of the plaintiff as chairman in his own handwriting.

In January, 1900, more than three-fourths in number and value of interests of members of this association did determine, for the reasons hereinbefore set forth, that the interest of the said Frick in this association should be acquired by it under the terms of the said ironclad agreement, and did sign a writing, hereinabove set forth at length, which writing was duly served on said Frick, as provided in said agreement. Said Frick neglected and refused to make the said transfer, and thereafter, in accordance with the terms of said ironclad agreement, to wit, on the 1st day of February, 1900, Charles M. Schwab, then the president of this association, did assign and transfer all of said Frick's interest in this association to this association, under the terms of said agreement, and this association, by a resolution of its board of managers, duly passed on said 1st day of February, 1900, directed its officers to make payment for the same, in accordance with said agreement; and this association

is ready and willing, and hereby tenders payment for the said interest in accordance with the terms of said agreement, to wit, its value as it shall appear to be on the books of this association on the 1st day of March, 1900; and as soon as this association's books are written up as of that date, the said Frick will be furnished with a balance sheet, and the cash and notes will be tendered him for the value of his interest as it appears therein, said amount being approximately $4,900,000.

We aver that the said sum will be the full amount due to said Frick under the terms of said agreement, being the amount shown on the books kept in the manner prescribed by Frick during his years of office as chairman, and under the proper and customary method of keeping books, and upon the same basis as all other partners and estates of deceased partners have heretofore been settled for. We further aver that said price is the full and fair value of the interest of said Frick on said date.

The method of valuing the interests of any member or members according to the valuation as stated on the books is eminently just and liberal. It is a method of ascertaining the value of partnership interests largely adopted both in this country and in England. The experience and judgment of business men justify us in saying (as we do) that such a method of valuation in large manufacturing companies, and especially of iron and steel in our country, as a rule, is more liberal to the seller than to the buyer; for experience has shown that partnership assets, on a just appraisement, seldom reach the value at which they stand on the books of the concern, and that a settlement made with a withdrawing partner at a valuation of his interest based upon its value as appearing on the books of the firm is, in a very large majority of cases, highly advantageous to such withdrawing partner.

The interest of 6 per cent in this association held by the plaintiff prior to February 1, 1900, was acquired by him in different amounts at different times, and was paid for by crediting to the plaintiff his proportionate share of the profits of the association, less interest on the amount with which the plaintiff stood charged, except to the extent of about $310,000, which plaintiff paid on account of said interest in cash or its equivalent. During his membership, however, the plaintiff, in addition to an adequate salary paid to him for his services as a manager, received upon his said interest actual dividends in cash, which not only repaid to him the said sum of $311,000, but an additional sum or clear profit of $938,275.87. The book value of said 6 per cent interest on January 1, 1900, was $4,536,606.24, to which in a settlement with the plaintiff is to be added his proportion of the profit earned in the months of January and February, 1900. We aver that the plaintiff has no reason to complain of the operation of a contract which gives to him nearly $5,000,000 for an interest which involved no investment of capital by him, and which has already paid him in cash profits of almost $1,000,000.

Thirteenth. We deny the truth of the averments contained in the thirteenth paragraph of the bill of complaint, and in particular that there was any attempt on the part of Carnegie or others to seize plaintiff's interest in the firm at a fraction of its real value; but, on the contrary, we aver that in accordance with the terms of a contract between the plaintiff and this association plaintiff's relations as a member of the association were brought to an end, and that the plaintiff under the terms of said contract is entitled to receive in the manner specified in said contract the book value of his interest in the property of the association upon the same terms as in many instances during plaintiff's relations to this association, as its chief executive officer, he settled with the estates of deceased and retiring members; and we aver that the amount which plaintiff will receive under said contract is not only the amount which he agreed to receive as one of the terms of his admission to the association, but is also the full and fair value of his interest in the property.

Fourteenth. We deny the truth of the averments contained in the fourteenth paragraph of the bill of complaint in manner and form as stated. While it is true that this association and the defendant Andrew Carnegie have refused to submit to arbitration the question of the value of plaintiff's interests, their action in this regard is not because they believe that the result of said arbitration would increase the amount which the plaintiff is entitled to receive. The refusal to submit the question to arbitration was because the defendants propose at all times to maintain the integrity of the contract under which the relations of the association and its various members have been defined since the year 1887, and under which all previous transactions between the association and its several members have been made. Said agreement was adopted by the members of the association as the basis upon which they agreed to

cooperate together in conducting the business of the association. By reason of the advantages which the association has received from doing business under said ironclad agreement in being able to secure and retain the services of the most competent and energetic men, and of dispensing with others proving inefficient or inharmonious, much of the prosperity of the association is due. If the validity of such an agreement can not be maintained, it will be impossible in the future for this association or others organized upon the same plan to continue in business, and by reason of the importance and necessity of maintaining the integrity and validity of the ironclad agreement we have declined, and will always decline, to arbitrate the question of the value of plaintiff's interest; and having so said we do aver that all the pretended offers of compromise set forth in said fourteenth paragraph were made in bad faith by Frick, and for the purpose not of obtaining what he was justly entitled to, but for the purpose of evading his agreements and with the view to possibly obtaining by means thereof a price to which he is not entitled. If it be as Frick alleges, and which we deny, that this association is a general partnership, the said Frick having ceased to be a member, is under no liability for any future indebtedness and as to any past indebtedness this association is ready and willing and hereby tenders to indemnify the said Frick against any liability therefor. We deny expressly that the association is under the exclusive control and management of Carnegie, but we aver that if it were, he is fully competent and able to properly manage and carry on the said business.

We admit that the business of this association was, while Frick continued a member, "jeopardized by inharmonious relations between the partners," and it is necessary "that its enormous business might be carried on by united and harmonious action"; but we do aver that there is no reason why the plaintiff should be permitted to repudiate or evade his own contract fairly made upon a fair and full consideration, which has heretofore been observed in good faith and without exception by all the other retiring members of said association, and which, until it was applied to his own case, was always advocated and supported by the plaintiff not only as a valid and binding contract, but as a fair and equitable one, and which the plaintiff himself has always insisted should be impartially applied to the interests of the living and the estates of the dead.

For these reasons we are unwilling to relieve the said plaintiff from the obligations of his contract, and insist that the same be carried out, and therefore decline the proposition as aforesaid that plaintiff's interest be paid for at a valuation to be ascertained by three disinterested business men, or to be ascertained otherwise than as in and by said contract provided. We do aver that the said Carnegie Steel Co. (Ltd.) is now a valid partnership association under the laws of Pennsylvania, and, denying that it is a general partnership, decline plaintiff's propositions to take further action alleged or pretended to be for the purpose of making said company a partnership association or to admit the plaintiff to participation in the management of said business upon the allegation or pretense that the said company is now a general partnership. We are advised and believe and therefore aver that so far as the so-called ironclad agreement is concerned it is immaterial whether the said company is a partnership association under the statutes of Pennsylvania or a general partnership, and that in either case the said so-called ironclad agreement is a good and valid contract, binding upon the plaintiff with respect to his interest therein.

Fifteenth. We admit that this association and all its members, as stated in the fifteenth paragraph of the bill, claim that Frick has now no interest in this association, except to receive certain payments under the terms of his agreement, and we do aver that such is the fact. We deny all the other allegations in the fifteenth paragraph. We deny that the prosperity of this association is the result of the plaintiff's continuous and close personal management of the same from the time of its organization. We admit that the plaintiff and other members of the association were competent and energetic business men, and did each in his way contribute to the prosperity of the association until such time as the plaintiff entered upon a course of conduct which placed him in a position where it was impossible for him to contribute to the common prosperity.

Sixteenth. We deny the averments contained in the sixteenth paragraph of the bill of complaint, and in particular do aver that said ironclad agreement was in force at the time when the notice was given to the plaintiff hereinabove particularly referred to, and do aver that the transfer of said interest by the defendant Schwab, as the attorney in fact of the plaintiff, was a valid and effective transfer of all the plaintiff's interest in the capital of this association, and that by said transfer all right, title, or interest of any kind theretofore owned by said plaintiff in the capital of this association ceased and was at an end.

Seventeenth. We deny each and every allegation of fraud contained in the bill, and we aver that there is no truth in any statement contained in the bill except what is in this answer expressly admitted to be true.

Wherefore, having denied all and every averment contained in the bill of complaint which is material to the relief sought, we pray that the bill may be dismissed with costs.

[SEAL.] THE CARNEGIE STEEL CO. (LTD.),
By C. M. SCHWAB.

Attest:

A. M. Moreland, secretary; Andrew Carnegie; C. M. Schwab; L. C. Phipps; W. H. Singer; Thomas Morrison; D. M. Clemson; James Gayley; A. M. Moreland.

Geo. Tucker Bispham, Richard C. Dale, Clarence Burleigh; Dalzell, Scott & Gordon, *Defendants' Solicitors.*

STATE OF PENNSYLVANIA, *County of Allegheny, City of Pittsburgh, ss:*

Before me, the undersigned, a notary public in Pennsylvania, residing in said city and county, personally came Andrew M. Moreland, who, being duly sworn according to law, deposes and says that he is the secretary of the Carnegie Steel Co. (Ltd.), the above-named association; that he was personally present at the execution of the foregoing answer and saw the common seal of the said association thereto affixed; that the seal so affixed thereto is the common seal of the said association, the Carnegie Steel Co. (Ltd.); that the common seal of the said association was affixed thereto pursuant to a resolution of the board of managers of said association; and that the signature of Charles M. Schwab and of this deponent subscribed thereto, as president and secretary, respectively, of said association, are of their proper and respective handwriting; and this deponent doth further aver that the statements of fact set forth in the said answer are true and correct as this deponent verily believes.

ANDREW M. MORELAND.

Sworn and subscribed before me this 12th day of March, A. D. 1900.

ALBERT H. EAMES,
Notary Public.

STATE OF PENNSYLVANIA, *City and County of Philadelphia, ss:*

Before me, the undersigned, a notary public of Pennsylvania, residing in said city and county, personally came the above-named Andrew Carnegie, who, being duly sworn according to law, deposes and says that the statements of fact set forth in the foregoing answer, in so far as made upon his personal knowledge, are true and correct, and, in so far as made upon information received, he believes the same to be true and correct.

ANDREW CARNEGIE.

Sworn and subscribed before me this 10th day of March, A. D. 1900.

GEORGE H. SMYTH,
Notary Public.

STATE OF PENNSYLVANIA, *County of Allegheny, City of Pittsburgh, ss:*

Before me, the undersigned, a notary public of Pennsylvania, residing in said city and county, personally came the above-named Charles M. Schwab, L. C. Phipps, W. H. Singer, Thomas Morrison, D. M. Clemson, James Gayley, and A. M. Moreland, who, being duly sworn according to law, do severally depose and say that the statements of fact set forth in the foregoing answer, in so far as made upon their personal knowledge, are true and correct, and, in so far as made upon information received, they believe them to be true and correct.

CHARLES M. SCHWAB.
L. S. PHIPPS.
W. H. SINGER.
THOMAS MORRISON.
D. M. CLEMSON.
JAMES GAYLEY.
A. M. MORELAND.

Sworn and subscribed before me this 12th day of March, A. D. 1900.

ALBERT H. EAMES,
Notary Public.

EXHIBIT A.

Articles of agreement, made and concluded this 31st day of January, A. D. 1887, between Carnegie Bros. & Co. (Ltd.), a partnership organization existing under the laws of the State of Pennsylvania, party of the first part, and Henry C. Frick, of the city of Pittsburgh, county of Allegheny and State aforesaid, party of the second part, as follows:

(I) The party of the first part has agreed, and does hereby agree, for the consideration and upon the conditions hereinafter mentioned, to sell, assign, and transfer, at the time and in the manner hereinafter stated, to the party of the second part an interest in the capital of the said party of the first part which shall amount to the sum of $100,000, at par, of said capital, together with all profits or dividends in any way applicable thereto after November 1, 1886.

(II) In consideration whereof the said party of the second part hereby promises and agrees to pay to the said party of the first part the sum of $184,000, payable in manner as follows: $36,800 on November 1, 1887; $36,800 on November 1, 1888; $36,800 on November 1, 1889; $36,800 on November 1, 1890; $36,800 on November 1, 1891, with interest at 6 per cent per annum, payable semiannually on he 1st days of May and November in each year until fully paid.

(III) It is expressly understood and agreed between the parties hereto that the said party of the second part shall not, until the said purchase money and the interest thereon shall have been fully paid to the said party of the first part, receive any of the dividends, or the profits, or the earnings in any way applicable to or belonging to the interest hereby agreed to be sold to the said second party; nor shall the said second party in any shape, manner, or form have the right to control the said interest, or have any legal or equitable estate in said interest, until the said purchase money shall be fully paid; nor shall he, until then, have the right, in any way or at any time, to vote upon the said interest.

(IV) The party of the first part agrees, however, that it will credit all the profits and dividends properly applicable to the said interest to the said purchase money to be paid by the said second party and at the times when the said dividends and profits are declared, and in order that this arrangement may be carried out with the least inconvenience, and also that the entire interest as agreed to be sold shall always be security for any balance of purchase money still remaining unpaid, both parties hereto agree that upon the execution hereof the said interest hereby agreed to be sold to the said party of the second part shall be transferred to and remain in the name of Henry Phipps, jr., as trustee, with whom an account shall be kept on the books of the company as to said interest; and to the said Henry Phipps, jr., as trustee, shall be issued a certificate for the said interest agreed to be sold, and he shall thereupon transfer and assign the said certificate to the said party of the first part as collateral security for any and all purchase money that may at any and all times be unpaid out of the said purchase money which the party of the second part hereby agrees to pay.

Said Henry Phipps, jr., shall have the right at all times to vote upon said interest and to control and manage the same without any interference of any kind from said party of the second part up until the said purchase money has been paid in full. The said Henry Phipps, jr., shall under no circumstances be held liable for any loss that may in any way be occasioned to the said interest except in case of actual fraud.

(V) This agreement is made subject to all the terms and provisions of an article of agreement dated January 10, 1887, between the association of Carnegie Bros. & Co. (Ltd.), as the party of the first part and the individual members thereof as the parties of the second part, a copy of which is hereto annexed and made part hereof, and by the signing of this agreement the said party of the second part intends to, and hereby expressly stipulates, that he will comply with all the terms of the said annexed agreement.

(VI) Upon the full and faithful compliance by the said party of the second part not only with all the terms, provisions, and stipulations of this agreement, but also on a full and faithful compliance with all the terms, provisions, and stipulations of the annexed agreement, and after all the said purchase money shall have been fully paid, the said party of the first part shall transfer and assign on its books to the said party of the second part the said interest in its capital, as specified in the first paragraph hereof, and shall cancel and transfer the assignment made to the said Henry Phipps, jr., as trustee.

In witness whereof the said party of the first part has hereunto set its common seal, attested by the signatures of its chairman and treasurer, and the said second party has hereunto set his hand and seal the day and date first above given.

CARNEGIE BROS. & CO. (LTD.),
By H. PHIPPS, Jr., *Chairman.*
D. A. STEWART, *Treasurer.*
H. C. FRICK. [SEAL.]

In the presence of—
S. E. MOORE, *Secretary.*
R. E. BRIDGE.

And now May 13, 1889:

Whereas under an agreement bearing date of January 31, 1887, by and between this association and Henry C. Frick, 2 per cent of the paid-up capital of this association (or $100,000) has since date as of November 1, 1886, been held in trust by Henry Phipps, jr., for said Henry C. Frick, conditioned upon the payment at certain times set forth in said agreement of an aggregate value of $184,000; and

Whereas at sundry times since that date, and especially on May 13, 1889, the said Henry C. Frick did receive certain credits for dividends, and did make a certain payment of cash, and did issue to this association certain notes aggregating $100,000, covering the balance unpaid as of May 1, 1889, on said capital purchased, falling due at certain times hereafter, and being secured by the aforesaid 2 per cent of the capital of this association as collateral, all of which appears in detail on the records of this association: Now, therefore, be it

Resolved, That the said Henry Phipps, jr., as trustee, be directed to transfer to Henry C. Frick, as of December 31, 1888, said holding of capital in this association;

That said trustee be fully released from any and all responsibility or concern in the trust aforesaid; and

The transfer being duly made, that the trusteeship be abolished and the agreement regulating the same be, and is now hereby, abrogated, canceled, and annulled absolutely, taking effect as on December 31, 1888.

Certified from the minutes of a meeting of the board of managers of Carnegie Bros. & Co. (Ltd.), held at the association branch offices, Pittsburgh, Pa., May 15, 1889. It being also this day agreed by and between the parties in interest that the said 2 per cent of the capital shall remain as collateral for the notes above referred to, and that all dividends made payable thereon shall be deposited by said H. C. Frick with this association, as advance payments, to bear interest, on account of the notes as aforesaid.

JOHN G. A. LEISHMAN, *Vice Chairman.*
GEO. LAUDER, *Manager.*

Attest:

S. E. MOORE, *Secretary.*

I agree to the foregoing.

H. C. FRICK.

This agreement, made this 10th day of January, A. D. 1887, between Carnegie Bros. & Co. (Ltd.), party of the first part, and Andrew Carnegie, John Walker, Samuel E. Moore, Henry Phipps, jr., H. M. Curry, William H. Singer, George Lauder, William L. Abbott, David A. Stewart, H. W. Borntraeger, parties of the second part.

Witnesseth:

(I) That the parties of the second part, each acting for himself only and not for another, for and in consideration of the sum of $1 to each of us in hand paid by the party of the first part, the receipt whereof, by the signing hereof, is hereby acknowledged, and for other good and valuable considerations to each of us moving, do hereby covenant, promise, and agree to and with the party of the first part, that they, the several parties of the second part, each acting for himself, will at any time hereafter when three-fourths in number of the persons holding interests in said first party, and three-fourths in value of said interests shall request us, or either of us so to do, sell, assign, and transfer to said first party, all of each of our interests in the limited partnership of the Carnegie Bros. & Co. (Ltd.). The interest shall be assigned freed from all liens and

incumbrances or contracts of any kind, and this transfer shall at once terminate all our interests in and connection with said Carnegie Bros. & Co. (Ltd.).

(II) The request of the requisite number and value shall be evidenced by a writing signed by them or their proper agents or attorneys in fact—and a copy of this shall be either served upon the party whose interest it is proposed to buy, or mailed to him at his post-office address—at least five days before the day fixed in said request to make said transfer and assignment.

(III) The party of the first part covenants and agrees that it will pay unto the party so selling and assigning the value of the interest so assigned, as it shall appear to be on the books of said Carnegie Bros. & Co. (Ltd.), on the first day of the month following said assignment.

Said payment shall be made in matter as follows:

If the interest assigned shall not exceed 2 per cent of the capital stock at par, the same shall be paid for as follows:

One-fourth cash within 90 days of the date of the assignment and the balance in two equal annual payments from the date of the assignment to be evidenced by the notes of said first party.

If the interest assigned shall exceed 2 per cent, but shall not exceed 4 per cent, of the capital stock at par, then the same shall be paid as follows: One-fourth cash in six months after the date of the assignment, and the balance in three equal annual payments from the date of the assignment, to be evidenced by the notes of the said first party.

If the interest assigned shall exceed 4 per cent, but shall not exceed 20 per cent, of the capital stock at par, then the same shall be paid for as follows: One-fourth cash within six months after the date of the assignment, and the balance in five equal annual payments from the date of the assignment, to be evidenced by the notes of said first party.

If the interest assigned shall exceed 20 per cent and not exceed 40 per cent of the capital stock at par, then the same shall be paid for as follows: One-fourth cash within eight months after the date of the assignment, and the balance in 10 equal annual payments from the date of the assignment, to be evidenced by the notes of the said first party.

If the interest assigned shall exceed 40 per cent of the capital stock at par, then the same shall be paid for as follows: One-fourth cash within 12 months after the date of the assignment, and the balance in 15 equal annual payments from the date of the assignment, to be evidenced by the notes of said first party.

All deferred payments shall bear interest at 6 per cent per annum, payable semiannually.

(IV) This agreement, and the option each of the parties of the second part hereby give to the first party, is hereby declared to be irrevocable; and that it may be carried out in good faith and notwithstanding any effort on the part of any of the second parties to evade it, each of the second parties do hereby appoint the person who, at the time when he is called upon to act, is chairman of the first party our attorney in fact for us and in our names, places, and stead, to assign and transfer our said interests in said Carnegie Bros. & Co. (Ltd.) whenever, under this agreement, it would be the duty of any one of us so to do. This appointment is also irrevocable, is coupled with the interest each of us have in said Carnegie Bros. & Co. (Ltd.), and will justify and warrant our said attorney in fact to act for us, or either of us, in the premises just as efficaciously after the death of any of us, or after any of us has attempted to revoke this power of attorney or evade this agreement, as if we were alive and living up to it in entire good faith.

(V) Death shall not revoke, alter, or impair any of the terms of this contract, but the first party shall, after the death of either of the second parties, have the following time to elect to buy his interest on the terms hereinbefore set out:

If the interest does not exceed 4 per cent, four months.

If the interest exceeds 4 per cent but does not exceed 20 per cent, eight months.

If the interest exceeds 20 per cent, 12 months.

And we, each of us, who sign this agreement hereby direct our personal representatives, after our death, to approve, join in, and perfect any transfer our said attorney in fact may make, and our said executor or executors, or administrator or administrators shall carry out this contract and all its provisions just as if said representatives had themselves made this agreement.

(VI) This agreement is hereby declared to be a lien and incumbrance upon each of our shares in said Carnegie Bros. & Co. (Ltd.); no attempt of any

of the second parties voluntarily to sell, pledge, or mortgage, and no proceedings adversely against any of the second parties by execution, process of law, or equity of any kind, bankruptcy or insolvency, shall in any way, shape, or form affect, impair, or alter it, or any part of it, or take from under its operations our respective interests, or relieve any of those interests from the clog hereof.

All parties hereto agree and declare that it is the settled policy of Carnegie Bros. & Co. (Ltd.), and all of us, in entire good faith and with all effort on our part to carry out in its true spirit and meaning this agreement, we, all of us, being satisfied that if we do so it will be greatly to the benefit of Carnegie Bros. & Co. (Ltd.), and that any effort on the part of either of us to evade any of the provisions of the same will most properly prove our unfitness to be connected with said Carnegie Bros. & Co. (Ltd.).

(VII.) Any person signing this agreement shall become a party of the second part hereto, with as full effect as if named in the body of the same.

In witness whereof the first party has hereto set its common seal, attested by the signatures of its chairman and secretary, and the parties of the second part have hereto set their respective hands and seals, the day and date first above given.

CARNEGIE BROS. & CO. (LTD.).
By H. PHIPPS, Jr., *Chairman.*
D. A. STEWART, *Treasurer.*

Attest:

S. E. MOORE, *Secretary.*

ANDREW CARNEGIE.	[SEAL.]
HENRY PHIPPS, JR.	[SEAL.]
GEO. LAUDER.	[SEAL.]
D. A. STEWART.	[SEAL.]
JOHN WALKER.	[SEAL.]
H. M. CURRY.	[SEAL.]
WM. L. ABBOTT.	[SEAL.]
H. W. BORNTRAEGER.	[SEAL.]
S. E. MOORE.	[SEAL.]
W. H. SINGER.	[SEAL.]

Signed, sealed, and delivered in the presence of:

CHAS. T. C. MACKIE
(As to Andrew Carnegie and Henry Phipps, jr.).
F. T. F. LOVEJOY
(As to Geo. Lauder, D. A. Stewart, John Walker, H. M. Curry, Wm. L. Abbott, H. W. Borntraeger, S. E. Moore, and W. H. Singer).

New York, January 10, 1887, received one ($1) dollar for consideration mentioned in within agreement.

ANDREW CARNEGIE.

Received, Pittsburgh, January 12, 1887, in full, for consideration mentioned in within agreement.

One dollar, Henry Phipps, jr.
One dollar, Geo. Lauder.
One dollar, D. A. Stewart.
One dollar, John Walker.
One dollar, H. M. Curry.
One dollar, Wm. L. Abbott.
One dollar, H. W. Borntraeger.
One dollar, S. E. Moore.
One dollar, W. H. Singer.

From the record.
[SEAL.]

WM. B. KIRKER, *Prothonotary.*

[In the Court of Common Pleas No. 1, of Allegheny County, Pa. In equity, No. 422, March term, 1900. H. C. Frick, plaintiff, *v.* The Carnegie Steel Co. (Ltd.)]

Andrew Carnegie, Henry Phipps, jr., L. C. Phipps, George Lauder, C. M. Schwab, H. M. Curry, W. H. Singer, A. R. Peacock, F. T. F. Lovejoy, Thomas Morrison, George H Wightman, D. M. Clemson, James Gayley, A. M. Moreland, Charles L. Taylor, A. R. Whitney, W. W. Blackburn, John C. Fleming, J. Ogden Hoffman, Millard Hunsiker, George E. McCague, James Scott, H. P. Bope, W. E. Corey, Joseph E. Schwab, L. T. Brown, D. G. Kerr, H. J. Lindsay, E. F. Wood,

H. E. Tener, jr., George McGrew, G. D. Packer, W. B. Dickson, A. C. Case, John McLeod, Charles W. Baker, A. R. Hunt, A. C. Dinkey, P. T. Berg, Charles McCreary, F. T. F. Lovejoy, trustee for the Carnegie Steel Co. (Ltd.), defendants.

To the honorable the Judges of the said Court:

Your orator complains and says:

1. During the months of April, May, and June, in the year 1892, Andrew Carnegie, Henry Phipps, jr., George H. Lauder, W. H. Singer, H. M. Curry, H. W. Borntraeger, John G. A. Leishman, William L. Abbott, Otis H. Childs, John W. Vandervort, C. L. Strobel, F. E. F. Lovejoy, P. R. Dillon, W. W. Blackburn, William P. Palmer, L. C. Phipps, A. R. Peacock, J. Ogden Hoffman, John C. Fleming, James H. Simpson, H. P. Bope, H. C. Frick, and F. T. F. Lovejoy, trustee, for the Carnegie Steel Co. (Ltd.), executed and acknowledged certain articles of association, of which a copy marked "Exhibit A" is hereto attached, which it is prayed may be taken as part of this bill. It was provided in said agreement that it should go into effect on the 1st day of July, 1892. It was therein recited that Carnegie Bros. & Co. (Ltd.) had been duly organized under the provisions of an act of the General Assembly of the Commonwealth of Pennsylvania, entitled "An act authorizing the formation and regulation of partnership associations," approved the 2d day of June, 1874, and the various supplements thereto, to conduct a limited partnership association under that name. Said agreement was recorded in the recorder's office of Allegheny County in the limited partnership book, volume 9, page 376, on the 30th day of June, 1892.

The said agreement further stated that the then holders of shares in Carnegie Bros. & Co. (Ltd.) had unanimously agreed and resolved to change the name of the association, to change the location of the general office, to change the business to be conducted, and to increase the capital from $5,000,000 to $25,000,000. In order to accomplish and carry out these changes the said parties who executed the said agreement, which was made to bear date July 1, 1892, created an association which was really a new partnership. Many of the persons who executed the said agreement of 1892 had not been parties to and had not signed the articles of association of the said Carnegie Bros. & Co. (Ltd.) subscribed for and took capital stock in said new partnership—the Carnegie Steel Co. (Ltd.).

These articles of association pretended to be an amendment of the original articles of association of Carnegie Bros. & Co. (Ltd.), but for various reasons they were not an amendment of said articles, but were new articles of association which created a new partnership. Some of the parties who executed said new articles had neither executed the original articles of association of Carnegie Bros. & Co. (Ltd.) nor acquired any interest therein by assignments of members thereof. Said new articles provided for carrying on not only the original but also different and independent businesses; for conducting business under a new and entirely different name; for a change in the location of the general office of the new company; and for a large increase in the capital stock thereof. The said new association or firm, called the Carnegie Steel Co. (Ltd.), was not in fact the original association of Carnegie Bros. & Co. (Ltd.), but was in fact a new partnership differing from the latter inter alia in name, in membership, in amount of capital stock, in location, and in the business to be conducted.

2. Prior to the formation of the Carnegie Steel Co. (Ltd.) the partnership of Carnegie Bros. & Co. (Ltd.) had been engaged solely in the manufacture and sale of steel rails at the Edgar Thompson Steel Works, located in the township of Braddock, in the county of Allegheny and State of Pennsylvania. It had made coke at Larimer and at the Youghiogheny Coke Works and mined ore at the Scotia ore mines and made pig iron and billets; it had done all these things, saving the manufacture of billets, for the purpose of securing the raw materials needed in the manufacture of steel rails. The said Carnegie Bros. & Co. (Ltd.), from its organization down until the 1st day of July, 1892, had been engaged in no other business than as above stated.

The said Carnegie Steel Co. (Ltd.), on the other hand, was formed for the purpose of and engaged in and carried on the following business:

(a) All the business theretofore carried on by Carnegie Bros. & Co. (Ltd.) and in addition thereto the business carried on at the following places:

(b) The Homestead Steel Works:

At these works, at which in 1892 about 3,500 men were employed, structural materials, beams, channels, angles, plates, armor plate, and steel made by the

open-hearth process were manufactured. The tonnage thereof in 1892 was about 30,000 tons per month. The then yearly output aggregated about $15,000,000.

(c) Upper Union Mills, the Lower Union Mills:

At these mills in 1892 about 1,500 men were employed. Puddling furnaces were there operated and iron and rolled steel, plates, beams, angles, and other structural steel, axles, locomotive forgings, steamboat shaftings, and other forgings of different kinds were there manufactured. Their tonnage was about 10,000 tons per month and their yearly output was about $4,000,000.

(d) The Lucy Furnaces:

At these works, at which about 500 men were employed in 1892, pig iron was manufactured. The tonnage was in the neighborhood of about 450 tons per day and the yearly output was about $2,000,000.

(e) Keystone Bridge Works:

At these works, in which about 800 men were employed in 1892, iron and steel bridges for railroads and other purposes in structural-steel buildings, elevated railways, and causeways for railroads were constructed. Their tonnage was about 20,000 tons per year and their annual output about $1,500,000.

(f) Beaver Falls Mills:

These mills were located in Beaver County, Pa. They then employed about 1,000 men. At them were manufactured steel rods, wire, and nails. Their tonnage was about 15,000 tons per year and the yearly output was about $1,000,000. The principal office of the company was changed from Braddock Township, Allegheny County, Pa., to the city of Pittsburgh, Allegheny County, Pa. The places of business were enlarged. Instead of carrying on the business only at those places specified in the original articles, the new firm of Carnegie Steel Co. (Ltd.) carried on business at divers and sundry other places in Allegheny County and elsewhere and greatly increased the capacity of the different works operated by them.

3. The agreement of 1892 provided that capital to the extent of $20,000,000 should be paid in cash on or before the 30th day of June, 1892, but made no provision for the remaining capital, viz, $5,000,000. Said amount of increased capital was never paid into the association in cash, either on or before the 30th day of June, 1892, or later. Said increase was made in the manner following: On the 30th day of June, 1892, the firm of Carnegie, Phipps & Co. (Ltd.), declared a dividend of 200 per cent on its capital stock of $5,000,000. The amount of this dividend thus declared was $10,000,000. On said 30th day of June, 1892, the firm of Carnegie Bros. & Co. (Ltd.) also declared a dividend upon its then capital of $5,000,000 of 200 per cent, making the amount of the dividend thus declared $10,000,000. Checks were given by Carnegie, Phipps & Co. (Ltd.), to its members, and by Carnegie Bros. & Co. (Ltd.) to its members, for their several shares of said dividends, said members being the subscribers to the articles of association of the Carnegie Steel Co. (Ltd.). These checks thus given to said members were indorsed over by them in payment of their several subscriptions to Carnegie Bros. & Co. (Ltd.) in payment of the several subscriptions to the Carnegie Steel Co. (Ltd.). In fact, no cash was paid by either of said limited companies, neither by Carnegie Bros. & Co. (Ltd.) nor by Carnegie, Phipps & Co. (Ltd.). There was not cash in bank to the credit of either company to meet said checks thus by each drawn. Subsequently, Carnegie, Phipps & Co. (Ltd.), having retained assets sufficient to pay its obligations other than those assumed by Carnegie Steel Co. (Ltd.), conveyed to the Carnegie Steel Co. (Ltd.) all its property, real and personal. All the assets of Carnegie Bros. & Co. (Ltd.), at the time of said articles of association in 1892 and for some time prior thereto, were chiefly in the shape of real and personal estate. It would have been impossible for said company to have paid said checks thus drawn by it without selling the whole or part of said property, real and personal, all of which was needed for the conduct of the business of the Carnegie Steel Co. (Ltd.), and was thereafter used by it in carrying on its business.

4. Your orator believed, until January of the present year, that said Carnegie Steel Co. (Ltd.) was a limited partnership, duly organized in accordance with the laws of the State of Pennsylvania, and that his private fortune was not pledged for the debts of said association except in so far as he held an interest in the capital stock of the same. In January, 1900, he was forced to employ counsel to protect his interests against the attacks by Andrew Carnegie hereinafter stated. He was then advised that the Carnegie Steel Co. (Ltd.) was not a valid limited partnership association under the laws of the State of Pennsylvania, but, on the contrary, that each and all of its

partners were liable to creditors as general partners, and that the firm itself was a general partnership, in which the rights, duties, and privileges of the partners were governed by the general law relating thereto.

5. The firm of Carnegie Bros. & Co. (Ltd.) had been formed by virtue of articles of association entered into in the year 1881 by Andrew Carnegie, Thomas M. Carnegie, Gardner F. McCandless, Henry Phipps, jr., D. A. Stewart, John Scott, and John W. Vandervort as a limited partnership association under the provisions of an act of the general assembly of this Commonwealth, entitled "An act authorizing the formation of partnership associations in which the capital subscribed will alone be responsible for the debts of the association, except under certain circumstances," approved the 2d day of June, 1874, and the various supplements thereto. The articles of association of this partnership, bearing date the 1st day of April, 1881, were executed by all of said partners and were recorded in the recorder's office of Allegheny County, Pa., in Limited Partnership Book, vol. 2, page 180, on the 1st day of April, 1881.

A copy of said articles, marked "Exhibit B," is hereto attached, which it is prayed may be taken as a part of this bill. Under these articles said limited association, whose original capital was $5,000,000, which was contributed as to $1,000,000 in cash and as to $4,000,000 thereof in property, carried on the business of manufacturing steel rails, as hereinbefore stated, until July 1, 1892. From time to time certain members thereof had assigned their respective interests therein to said association, which had admitted to membership certain other persons as partners. On the 30th day of June, 1892, the members of said association and those holding interests and the percentage of each holding were as follows:

Carnegie Bros. & Co. (Ltd.), list of shareholders, June 30, 1892.

Names.	Percentage.	Names.	Percentage.
Andrew Carnegie	55⅓	L. C. Phipps	⅓
Henry Phipps, jr	11	A. R. Peacock	⅓
H. C. Frick	11	J. Ogden Hoffman	⅓
George Lauder	4	Jno. C. Fleming	⅓
H. M. Curry	2	Jas. H. Simpson	¼
W. H. Singer	2	H. P. Bope	⅓
H. W. Borntraeger	2	Chas. L. Taylor	⅓
John G. A. Leishman	2	E. H. Utley	⅓
Wm. L. Abbott	1	C. M. Schwab	⅓
Otis H. Childs	1	Jno. A. Potter	⅓
Jno. W. Vandevort	¼	James Gayley	⅓
C. L. Strobel	¾	Thos. Morrison	⅓
F. T. F. Lovejoy	¾	Undivided, F. T. F. Lovejoy, trustee	11 11/136
P. R. Dillon	½		
W. W. Blackburn	⅓		
Wm. P. Palmer	⅓	($5,000,000)	100

The whole business of said association on the 1st day of July, 1892, was merged into that of the Carnegie Steel Co. (Ltd.), which took into its possession and ownership all its assets. All of said assets have since continued to be held, and are now held; to such extent as the same have not been converted, by the said Carnegie Steel Co. (Ltd.). No business since that date has been conducted by said Carnegie Bros. & Co. (Ltd.). Its contracts were assumed from time to time by said steel company, limited.

6. On or about the 4th day of January, 1889, your orator acquired an interest and became a partner in Carnegie Bros. & Co. (Ltd.). His interest in said association at different periods was as follows: On the 4th of January, 1889, it was 2 per cent. On the 30th day of June, 1892, it was 11 per cent. On the 1st day of July, 1892, his interest in said Carnegie Steel Co. (Ltd.) was 11 per cent. At the present time his interest in said steel company is 6 per cent.

7. On the 14th day of January, 1889, your orator was elected chairman of Carnegie Bros. & Co. (Ltd.), and continued to act as such chairman until the new association of the Carnegie Steel Co. (Ltd.) was formed. He was then elected chairman of the latter and continued to act as such until December 5, 1899.

On January 11, 1895, with the assent of those interested and with a view to enable your orator to perform duties which were believed to be of more value to the firm than those then imposed upon said chairman, the office of president was created. Upon said officer was placed the details of the duties your orator had theretofore performed as chairman.

Your orator continued as chairman with general supervisory power until December 5, 1899. About that date Carnegie, without reason, and actuated by malevolent motives, demanded his resignation of said position. Recognizing Carnegie's paramount influence as the holder of a majority interest, and desiring to prevent the evil which might result from discord, your orator acquiesced in the demand and gave his resignation.

As chairman of said companies your orator had participated largely in and directed the business conducted by them, and, until the time of his enforced resignation, said business was conducted to a large extent under his personal supervision, management, and direction. Carnegie lived in New York City. He spent much of his time abroad, remaining there continually, at one time, for over 18 months. Of course, he was consulted about important matters, but he rarely participated in the current management of the business.

8. Andrew Carnegie was a member of Carnegie Bros. & Co. (Ltd.) and of Carnegie, Phipps & Co. (Ltd.). He also became a member of the Carnegie Steel Co. (Ltd.) by signing its articles of association. He has ever since continued to be a member of said last-named association. At the present time his interest in said association is 58½ per cent.

Some of the partners who signed the original articles of association of the Carnegie Steel Co. (Ltd.), from time to time surrendered their interests to said association. The latter has permitted other persons to take from it interests therein and to become members of the firm. The persons who have thus become members since the 1st day of July, 1892, are all largely indebted to the association for the amount of the contributions agreed by them to be made. The only members who hold fully-paid shares are Andrew Carnegie, Henry Phipps, jr., George Lauder, W. H. Singer, and your orator. The remaining members are largely indebted. The limited company in all instances holds the ownership of the respective interests of said indebted members as collateral security for the payment of their contributions. Andrew Carnegie's interest always exceeded 50 per cent of the whole, and thus he has been enabled whenever he so desired, to control nearly all his copartners.

On December 30, 1899, the names of the partners of the Carnegie Steel Co. (Ltd.) and those having interests and the respective holdings of each are as follows:

The Carnegie Steel Co. (Ltd.) list of shareholders, Dec. 30, 1899.

Names.	Percentage.	Names.	Percentage.
Andrew Carnegie	58½	E. F. Wood	1/2
Henry Phipps, jr	11	H. E. Tener, jr	1/5
H. C. Frick	6	George Megrew	1/5
George Lauder	4	G. D. Packer	1/5
C. M. Schwab	3	W. B. Dickson	1/5
H. M. Curry	2	A. C. Case	1/5
W. H. Singer	2	John McLeod	1/5
L. C. Phipps	2	Chas. W. Baker	1/5
A. R. Peacock	2	Undivided, F. T. F. Lovejoy, trustee	1/2
F. T. F. Lovejoy	3/4		
Thos. Morrison	3/4		
Geo. H. Wightman	3/4	($25,000,000)	100
D. M. Clemson	3/4		
James Gayley	11/16	*Changes since Dec. 30, 1899.*	
A. M. Moreland	11/16		
Chas. L. Taylor	1/2		
A. R. Whitney	1/2	H. P. Bope, bought	1/5
W. W. Blackburn	1/2	P. T. Berg, bought	1/16
Jno. C. Fleming	1/2	A. C. Dinkey, bought	1/16
J. Ogden Hoffman	1/2	James Gayley, bought	1/16
Millard Hunsicker	1/2	A. R. Hunt, bought	1/16
Geo. E. McCague	1/2	Charles McCreery, bought	1/16
James Scott	1/2		
H. P. Bope	1/5	Total	7/16
W. E. Corey	1/2		
Jos. E. Schwab	1/4	Held by F. T. F. Lovejoy, trustee, Dec. 30, 1899	1/2
L. T. Brown	2/5		
D. G. Kerr	1/5	Held by F. T. F. Lovejoy, trustee, Jan. 1, 1900	1/5
H. J. Lindsay	1/5		

9. The business of Carnegie Bros. & Co. (Ltd.), which was merged into that of the Carnegie Steel Co. (Ltd.), was profitable. The business of the Carnegie Steel Co. (Ltd.), especially during the last few years, has been enormously successful and profitable.

With the then outlook Carnegie estimated in November, 1899, that it will realize from its business for the year 1900 a profit of $40,000,000, and I then and now believe that said profit will exceed $40,000,000. During the year ending December 31, 1899, its net profits were $21,000,000.

Its assets on the 31st day of December, 1899, were clearly worth more than $250,000,000. Within the last few months Carnegie has asserted the fair value thereof to be greatly in excess of that sum. He has further asserted that they are of such value that in ordinary times of peace and reasonable business prosperity in England the same could be readily placed on the London market on the basis of £100,000,000. Since the making of these assertions the value of these assets has largely increased.

Within the year 1899 huge additions to and improvements of the works have been completed, thereby adding enormously to their producing power. Other additions and improvements, now in course of construction, which will still further greatly increase said producing power and future profits, will soon be completed.

The books of said company do not now and have not recently contained a reasonable valuation of its assets. A very large quantity of its assets on the 1st day of January, 1900, stood upon its books at very inadequate valuations. Some of the assets did not there appear at any valuation. This was known to Carnegie and the other partners. The fair value of your orator's interest therein could not be determined from what now appears on the books of said company.

(11) For various reasons—none just, not necessary now to be stated, but which will appear hereafter in the taking of testimony—Carnegie has recently conceived a personal animosity toward your orator. This partly arose from the failure of your orator, in connection with others, to avail of an option given by Carnegie in consideration of the sum of $1,170,000 to Carnegie paid, and now retained by him, as a forfeit to purchase his (Carnegie's) interest in said Steel Co. (Ltd.) for the sum of about $157,950,000, which sum Carnegie insisted should be so preferred and secured that he would virtually have a first mortgage on all the partnership assets and thus gain a preference over all his partners.

As has been heretofore said, on the 4th day of December, 1899, without good reason, and from malevolent motives toward me, Carnegie demanded the resignation of your orator of his office of chairman of said company. This resignation, in the interest of harmony, was tendered. Since that time Carnegie has secured control of the whole association and of its affairs, and has compelled the copartners, other than Henry Phipps, jr., F. T. F. Lovejoy, and Henry M. Curry, and perhaps others, who refused to carry out his orders and desires, to pass such resolutions and do such acts as he dictated, without regard to their conformity to their real wishes or to their judgment as to the true policy of the association. Many of the partners were unable or unwilling to incur his animosity, lest he might attempt to forfeit their interests in the association. Some of them were practically unable to resist his will, because of their large indebtedness thereto.

In order that he injure your orator whilst benefiting himself, Carnegie conceived a scheme to forfeit the interest of your orator in the association, worth upward $15,000,000, in such way as would not oblige him to pay therefor one-half of its real value and would enable him to make payment therefor in small installments at very long intervals of time.

(12) As part of this fraudulent scheme, Carnegie, who had rarely attended the meetings of the board of managers of the Steel Co. (Ltd.), theretofore held, presented himself at a meeting of the said board held on the 8th day of January, 1900, after the resignation by your orator of his chairmanship and when he was not present. Carnegie then presented to said board of managers resolutions by him previously prepared, which he caused to be adopted. Many of the statements in said resolutions were false. The whole of the resolutions were misleading. In them he referred to a certain so-called ironclad agreement. Carnegie followed up his action in this respect by obliging the board of managers to instruct the secretary to receive signatures to this so-called ironclad agreement, which, for the first time, he called a supplemental ironclad agreement of July 1, 1892. No such agreement had ever been executed

by Carnegie. Many other members of the firm had never executed the same. This so-called agreement was inoperative and void. Carnegie knew that it was void and inoperative. He knew that neither he nor the Carnegie Steel Co. has any power to compel any person to sell his interest in the firm in pursuance thereof; yet, knowing this, without your orator's knowledge, secretly, after said resolutions had been passed, he signed for the first time said so-called ironclad agreement of July 1, 1892. At the same time, or shortly after, he caused, directly or indirectly, other persons to sign the same, with a fraudulent intent, thereby, and without your orator's knowledge or consent, to make a contract for him under which he, Carnegie, could seize your orator's interest in said firm. All these acts he carefully concealed from your orator, his partner. Subsequently, in person, Carnegie threatened your orator when he called upon him that unless he would do what he, Carnegie, desired, he would deprive your orator of his interest in the firm. In pursuance of his fraudulent intent and in furtherance of his said scheme of fraud, Carnegie caused to be served on your orator on the 15th day of January, 1900, a notice purporting to be given under and in pursuance of said so-called ironclad agreement.

In this demand was made, in the name of Carnegie and in that of other persons who had been forced by him to sign the same, that your orator should transfer his interest in said Carnegie Steel Co. (Ltd.). Having failed to secure this transfer, Carnegie persuaded Schwab, one of the defendants, who was acting as president of said association, to transfer, on the 1st day of February, 1900, on the books of the company your orator's interest in said steel company, limited, as if he were entitled to make said transfer as attorney in fact of your orator, After Schwab had made this pretended transfer, Carnegie pretended, now pretends, and many of the partners under his compulsion pretend, that the Carnegie Steel Co. (Ltd.) owns all your orator's interest in said firm. Carnegie being the owner of 58½ per cent of the entire capital thereof, is now pretending to be the owner of over 60 per cent of your orator's said interest, thus pretended to have been acquired. Carnegie further pretends that he need not and will not pay for your orator's interest what it is fairly worth, but that he can only be compelled to pay a price which will be determined by himself and by the partners he controls. This price, he contends, can only be demanded by your orator in such small installments during the term of years of such duration as will, probably, not only enable the company to entirely pay for your orator's interest by using the share of the profits applicable to them, but have a surplus left to the company. Thus it is part of Carnegie's scheme not only to seize your orator's interest, but to make it pay for itself out of the profits, and thereafter leave Carnegie, in large part, the owner of said interests, with a large surplus of money besides. Though Carnegie pretends that he had thus secured a large part of your orator's interest in a way which will inure to his benefit, he denies all individual liability whatever for its payment, and claims that the only party who will be obliged to pay the price he will determine to give will be the Carnegie Steel Co. (Ltd.), which he will use for that purpose.

The exact manner in which Carnegie will seek to depreciate the value to be paid for your orator's interest can not be stated by your orator in detail with certainty; but he believes, and therefore avers, that although Carnegie's attention and that of the defendants have been called by him to the fact that the values of the company assets on its books were wholly inadequate, and although he and the defendants have been requested to make said values conform with the truth, he, the said Carnegie, will use figures put upon the books years ago, which are obsolete, and are not by any of the defendants pretended to be correct; will fail to put any valuation upon assets of immense value; and will resort to other illegal and unfair devices.

(13) Your orator shows to your honors that this attempt of Carnegie to expel him from the firm and seize his interest therein at but a mere fraction of its real value is not made by him in good faith and for the best interests of the Carnegie Steel Co. (Ltd.). It is not actuated by honorable motives on his part, nor for the future good of the firm, but is a determination to punish your orator, principally, because of the failure of the scheme by which Carnegie was to realize over $157,000,000 for his interest, and also, in part, to make gain for himself by seizing your orator's interest at very far below its real and fair value.

(14) In order that the business of the firm of Carnegie Steel Co. (Ltd.) might not be jeopardized by inharmonious relations between the partners and that its enormous business might be carried on by united and harmonious action, your orator was willing, upon ascertaining the animosity of Carnegie

toward himself and his determination to drive him from the firm, to dispose of his interest therein at a fair value. This fact was stated by your orator to Carnegie when the latter called, in January, 1900, at his office, in an endeavor to coerce the making of a sale by your orator at a price below what was fair. An offer was then made by your orator to Carnegie that in case a fair price could not be agreed upon for his interest, which the latter insisted upon securing, that your orator would agree to refer to the arbitration or three disinterested men the determination and fixing of a fair value. This offer Carnegie refused, doubtless because he hoped to acquire such interest at much less than the fair value thereof by means of his fraudulent scheme hereinbefore set out, which scheme he was then, though without any intimation of that fact to your orator, secretly perfecting and determined to carry into effect.

Your orator is willing, in order that harmony may be preserved and that the great interests involved may not be subjected to jeopardy, to sell his interest in the Carnegie Steel Co. (Ltd.) at a fair value to be ascertained by three disinterested business men. He now tenders his willingness so to do.

Notwithstanding the fraudulent actions of Carnegie, your orator also is willing, in order that the enormous business interests of the Carnegie Steel Co. (Ltd.) may be protected without injury to any of its partners, to continue the business of the said firm in accordance with the true spirit of the articles of agreement of July 1, 1892, creating the same.

If, as your orator is advised and believes, the said articles created a general and not a limited partnership, he is willing, and now tenders such willingness, to have such action taken by the firm and by the partners thereof as will make the said firm strictly a limited partnership, as originally intended. Your orator is further willing, and now tenders such willingness, to continue the Carnegie Steel Co. (Ltd.) as a general partnership if he is allowed, as one of the partners, to participate in the management thereof, claiming no other or further right than that of a general partner in a general partnership.

Your orator is not willing, however, to continue the general partnership under the sole control of Carnegie without being allowed to have any participation therein. Carnegie is so engaged in other occupations and diversions that, were he otherwise able so to do, he can not properly manage and carry on said business.

Your orator believes and avers that the financial prosperity of the firm will be impaired by the exclusive management and control of the same by Carnegie.

(15) All of the defendants excepting Henry Phipps, F. T. F. Lovejoy, and Henry M. Curry and possibly others, at the instance of Carnegie, now claim that your orator has no interest in the Carnegie Steel Co. (Ltd.) and that his only right is to demand from said company, at long postponed periods, such amount in compensation as Carnegie shall be willing to concede him.

Your orator thus by the fraudulent acts of Carnegie and the acquiesence therein of the defendants, other than those above named, has been ejected from the Carnegie Steel Co. (Ltd.) and has been and is now denied any participation in its business. Your orator's interest therein has been taken possession of by the defendants, and they at the instance and under the domination of Carnegie are now carrying on the said business, alleging that they will continue to carry it on as if your orator had no interest therein.

Your orator alleges that the whole effort which has been made, and which the defendants are now seeking to make effectual, is in pursuance of said fraudulent scheme of Carnegie to practically seize your orator's interest in said firm. This attempt is being made, although Carnegie knows, and all the defendants know, that the prosperity of the firm, in considerable part, is the result of your orator's continuous and close personal management of the same from the time of its organization.

(16) Your orator denies that there is or was when said notice was given any contract under which the defendants have acquired, or lawfully can acquire, his interest in said firm.

He avers that the attempt to acquire the same and said pretended transfer thereof by said Schwab are illegal and void. Schwab was not the attorney in fact of your orator to make said transfer, nor did he have any lawful authority so to do.

Wherefore your orator needs equitable relief, and prays as follows:

First. A decree that the pretended transfer of your orator's interests in the Carnegie Steel Co. (Ltd.), was and is null and void, and that he is still the owner of all such interest and is entitled in every lawful way to represent and act for the same.

Second. An injunction, now special, hereafter to be made final, restraining the defendants and all of them from any interference with your orator's interest in said Carnegie Steel Co. (Ltd.), and from excluding him from a participation in the care and management of the assets and business.

Third. An injunction, special until hearing, and perpetual thereafter, enjoining and restraining the defendants from conducting the business operations of the firm called the Carnegie Steel Co. (Ltd.), without permitting your orator to participate therein.

Fourth. An injunction, special until hearing, and perpetual thereafter, enjoining and restraining the defendants from transferring, or allowing to be transferred, to the Carnegie Steel Co. (Ltd.), or to any person or persons, or corporation, your orator's interest in the said Carnegie Steel Co. (Ltd.).

Fifth. A decree ordering the defendants to cancel upon the books of the said firm, called the Carnegie Steel Co. (Ltd.), any assignment or transfer heretofore made, or pretended to be made, to said association, of your orator's interest in said firm, and all further assignments, if any, to any other persons, of your orator's said interests.

Sixth. A decree ordering the defendants to join with your orator in conducting and managing the affairs and business and properties of the Carnegie Steel Co. (Ltd.).

Seventh. A decree ordering the defendants to cancel and erase all entries upon the books of the firm of the Carnegie Steel Co. (Ltd.) of insufficient, unfair, and improper valuations of its assets and of your orator's interest therein, and to cause the said books so to be kept as to fairly and fully show the real value of the Carnegie Steel Co. (Ltd.) as a going concern and your orator's interest therein.

Eighth. In case the defendants shall refuse the offers hereinbefore by your orator made, and shall refuse to continue the said business and allow him to participate in the management and control thereof and of the properties of the Carnegie Steel Co. (Ltd.) in conjunction with themselves, and shall insist upon the exclusive management by themselves of said business and assets, and shall continue to exclude your orator from his interest in the business and assets of the said firm, that your honorable court will thereupon allow your orator to declare the said firm of the Carnegie Steel Co. (Ltd.) dissolved, and that you will thereupon appoint a receiver to take charge of all the business and assets of the said firm, permitting said receiver to fulfill unperformed contracts and to do whatever shall be necessary in and about the proper liquidation of its affairs, and that, after the conversion of the entire assets of the company into money and the payment of the debts of the said company, your honorable court will then distribute the balance thereof among the partners in proportion to their interests.

Ninth. That an account be taken between Carnegie and your orator, whereby Carnegie shall be charged with all the losses, expenses, and damage he has caused your orator by his illegal and fraudulent conduct hereinbefore stated; and that if Carnegie persists in his said fraudulent scheme and refuses the offers hereinbefore made and thus causes the actual dissolution of the firm, all losses incurred by your orator by reason of the said dissolution and forced winding up of the firm shall be charged against him and that he shall be decreed to make good and pay to your orator the difference between what his interest was fairly worth on or about February 1, 1910, and the amount he shall receive through the decree of this court in final liquidation and settlement of the said firm.

Tenth. That all entries Carnegie or any other person has caused to be made on the books of the Carnegie Steel Co. (Ltd.), in pursuance of said fraudulent scheme of said Carnegie, shall be erased and canceled under the decree of this honorable court.

Eleventh. General relief.

H. C. FRICK.

JOHN G. JOHNSTON,
D. D. WATSON,
WILLIS F. MCCOOK,
Solicitors for Plaintiff.

STATE OF PENNSYLVANIA, *Allegheny County, ss:*

Personally before me came Henry C. Frick, the plaintiff above named, who, being by me duly sworn, says that the statements contained in the foregoing bill, in so far as they are stated from deponent's personal knowledge, are true; and in so far as stated from information received, he believes them to be true.

H. C. FRICK.

Sworn to and subscribed this February 13, 1900. Coram.

[SEAL.] L. H. MATHEWS, *Notary Public.*

EXHIBIT A.

Whereas Carnegie Bros. & Co. (Ltd.), a limited-partnership association, was duly organized in accordance with the provisions of the act of the General Assembly of the Commonwealth of Pennsylvania, entitled "An act authorizing the formation of partnership associations in which the capital subscribed shall alone be responsible for the debts of the association, except under certain circumstances," approved the 2d day of June, 1874, and the various supplements thereto, as will fully appear by reference to the statement, in writing, of said association, recorded in the recorder's office in and for Allegheny County, in limited-partnership book, volume 2, pages 180 to 272, inclusive; and

Whereas the present shareholders in said association have unanimously agreed and resolved to change the name of said association from Carnegie Bros. & Co. (Ltd.), to The Carnegie Steel Co. (Ltd.), and the location of the general office and business to be conducted; and to increase the capital from $5,000,000 to $25,000,000;

Therefore, we, the subscribers hereto, desiring to amend the original statement of said association, recorded as aforesaid, and for the purpose of carrying into effect such changes and amendments in compliance with the provisions of said act of assembly and the supplements thereto, do hereby set forth and certify in this amended statement in writing:

(1) The full names of the subscribers hereto are and the amount of the increase in the capital subscribed for by each is:

Subscriber.	Residence.	Subscription.
Andrew Carnegie	New York, N. Y.	$11,066,666.66
Henry Phipps, jr	Allegheny, Pa.	2,200,000.00
Henry Clay Frick	Pittsburgh, Pa.	2,200.000.00
George Lauder	Pittsburgh, Pa.	800,000.00
William H. Singer	Allegheny, Pa.	400,000.00
Henry M. Curry	Pittsburgh, Pa.	400,000.00
Henry W. Borntraeger	Pittsburgh, Pa.	400,000.00
John G. A. Leishman	Pittsburgh, Pa.	400,000.00
William L. Abbott	Pittsburgh, Pa.	200,000.00
Otis H. Childs	Pittsburgh, Pa.	200,000.00
John W. Vandevort	Pasadena, Cal.	160,000.00
Charles L. Strobel	Chicago, Ill.	133,333.34
Francis T. F. Lovejoy	Pittsburgh, Pa.	133,333.34
Patrick R. Dillon	Pittsburgh, Pa.	100,000.00
William W. Blackburn	Pittsburgh, Pa.	66,666.66
William P. Palmer	Allegheny, Pa.	66,666.66
Lawrence C. Phipps	Pittsburgh, Pa.	66,666.66
Alexander R. Peacock	Pittsburgh, Pa.	66,666.66
J. Ogden Hoffman	Philadelphia, Pa.	66,666.66
John C. Fleming	Chicago, Ill.	66,666.66
James H. Simpson	Pittsburgh, Pa.	50,000.00
Henry P. Bope	Pittsburgh, Pa.	22,222.23
Francis T. F. Lovejoy, trustee	Pittsburgh, Pa.	734,444.47
		20,000,000.00

(2) The total amount of capital of said association, including the increase hereby made, is $25,000,000, of which $5,000,000 constituted the original capital of said association, and was paid in, $1,000,000 in cash in four equal monthly installments, and $4,000,000 in property, contributed, valued, and described as set forth in the original statement of said association, and the schedule thereto attached and made a part thereof, recorded as aforesaid, and to which reference is hereby made for the full contents and particulars thereof; and of which

the remaining $20,000,000, subscribed as aforesaid, is to be paid in cash on or before the 30th day of June, 1892.

The amount of original capital of said association held by each subscriber, the amount of the increase in said capital subscribed for by each, and the resultant total capital held by each subscriber after said capital shall have been increased to $25,000,000 are as follows:

Capital.

Name.	Original.	Increase.	Total.
Andrew Carnegie	$2,766,666.67	$11,066,666.66	$13,833,333.33
Henry Phipps, jr	550,000.00	2,200,000.00	2,750,000.00
Henry Clay Frick	550,000.00	2,200,000.00	2,750,000.00
George Lauder	200,000.00	800,000.00	1,000,000.00
William H. Singer	100,000.00	400,000.00	500,000.00
Henry M. Curry	100,000.00	400,000.00	500,000.00
Henry W. Borntraeger	100,000.00	400,000.00	500,000.00
John G. A. Leishman	100,000.00	400,000.00	500,000.00
William L. Abbott	50,000.00	200,000.00	250,000.00
Otis H. Childs	50,000.00	200,000.00	250,000.00
John W. Vandevort	40,000.00	160,000.00	200,000.00
Charles L. Strobel	33,333.33	133,333.34	166,666.67
Francis T. F. Lovejoy	33,333.33	133,333.34	166,666.67
Patrick R. Dillon	25,000.00	100,000.00	125,000.00
William W. Blackburn	16,666.67	66,666.66	83,333.33
William P. Palmer	16,666.67	66,666.66	83,333.33
Lawrence C. Phipps	16,666.67	66,666.66	83,333.33
Alexander R. Peacock	16,666.67	66,666.66	83,333.33
J. Ogden Hoffman	16,666.67	66,666.66	83,333.33
John C. Fleming	16,666.67	66,666.66	83,333.33
James H. Simpson	12,500.00	50,000.00	62,500.00
Henry P. Bope	5,555.55	22,222.23	27,777.78
F. T. F. Lovejoy, trustee	183,611.10	734,444.47	918,055.57
Total	5,000,000.00	20,000,000.00	25,000,000.00

(3) The character of the business to be conducted is the manufacture and sale of all kinds of iron and steel in all their branches and the procuration and preparation of all materials necessary therefor; and the locations of said business are as follows:

The steel works and blast furnaces, known as the Edgar Thomson Steel Works, in Braddock Township, Allegheny County, State of Pennsylvania;

The Homestead Steel Works, in Mifflin Township, Allegheny County, State of Pennsylvania;

The Duquesne Steel Works, formerly known as the Allegheny Bessemer Steel Works, in the Borough of Duquesne, county of Allegheny, State of Pennsylvania;

The Upper Union Mills, formerly known as the Union Iron Mills; the Lower Union Mills, formerly known as Wilson, Walker & Co.'s Mills; the Lucy Furnaces; and the Keystone Bridge Works, in the city of Pittsburgh, county of Allegheny, State of Pennsylvania;

The Beaver Falls Mills, formerly known as the Hartman Steel Works, at Beaver Falls, in Beaver County, State of Pennsylvania;

The Scotia Ore Mines, in Patton Township, Center County, State of Pennsylvania;

The Larimer Coke Works, in North Huntingdon Township, Westmoreland County, State of Pennsylvania;

The Youghiogheny Coke Works, in Elizabeth Township, Allegheny County, State of Pennsylvania; and

The principal office or place of business of said association is in the city of Pittsburgh, county of Allegheny, and State of Pennsylvania, from which office all the business of said association is managed and directed.

(4) The name of said association shall be The Carnegie Steel Co. (Ltd.).

(5) The contemplated duration of said association is as set forth in the original statement of said association, to wit, 20 years from the 1st day of April, 1881.

(6) The names of the officers of said association, elected in conformity with the provisions of said act of assembly, and the supplements thereto, are: Henry Clay Frick, chairman; Henry M. Curry, treasurer; Francis T. F. Lovejoy, secretary.

The managers of said association are: Henry Clay Frick, George Lauder, William H. Singer, Henry M. Curry, John G. A. Leishman, Lawrence C. Phipps, Francis T. F. Lovejoy.

The amended statement shall go into effect on the 1st day of July, 1892.

In witness whereof, the parties hereto have hereunto set their respective hands and seals, at certain times during the months of April, May, and June, in the year 1892, as will appear in the several certificates of acknowledgments hereto attached.

Andrew Carnegie [L. S.], May 20, 1892; Henry Phipps, jr. [L. S.], May 20, 1892; H. C. Frick [L. S.], April 29, 1892; George Lauder, by Andrew Carnegie, attorney in fact [L. S.], May 20, 1892; W. H. Singer [L. S.], June 3, 1892; H. M. Curry [L. S.], April 29, 1892; H. W. Borntraeger [L. S.], June 3, 1892; John G. A. Leishman [L. S.], June 28, 1892; Wm. L. Abbot [L. S.], May 23, 1892; Otis H. Childs [L. S.], April 29, 1892; John W. Vandevort [L. S.], June 10, 1892; C. L. Strobel [L. S.], June 16, 1892; F. T. F. Lovejoy [L. S.], April 29, 1892; P. R. Dillon [L. S.], June 2, 1892; W. W. Blackburn [L. S.], April 29, 1892; Wm. P. Palmer [L. S.], April 29, 1892; L. C. Phipps [L. S.], April 29, 1892; A. R. Peacock [L. S.], April 29, 1892; J. Ogden Hoffman [L. S.], June 20, 1892; John C. Fleming [L. S.], June 16, 1892; James H. Simpson [L. S.], June 22, 1892; H. P. Bope [L. S.], April 29, 1892; F. T. F. Lovejoy, trustee [L. S.], April 29, 1892.

EXHIBIT B.

ARTICLES OF ASSOCIATION OF CARNEGIE BROS. & CO. (LTD.).

We the undersigned, who are desirous of forming a partnership association where the capital shall alone be liable for the debts of said association in accordance with and under the provisions of an act of the general assembly of this Commonwealth, entitled "An act authorizing the formation of partnership associations in which the capital subscribed shall alone be responsible for the debts of the association, except under certain circumstances," approved the 2d day of June, A. D. 1874, and the supplements thereto, do hereby in accordance with said act make the following statement in writing:

I. The names of such persons are as follows: Andrew Carnegie, New York City, State of New York; Thomas M. Carnegie, Pittsburgh, State of Pennsylvania; Henry Phipps, jr., Allegheny City, State of Pennsylvania; David A. Stewart, Pittsburgh, State of Pennsylvania; John Scott, Pittsburgh, State of Pennsylvania; John W. Vandevort, Pittsburgh, State of Pennsylvania; Gardner F. McCandless, New York City, State of New York.

II. The total amount of the capital of said association is $5,000,000. This is to be contributed and paid as follows, viz: The sum of $4,000,000 by property described in the schedules hereto annexed. The sum of $1,000,000 shall be paid in cash in four equal monthly installments of $250,000 each. The first installment shall be paid May 1, A. D. 1881, and a like amount shall be paid on the 1st days of June, July, and August, A. D. 1881.

III. The amount of the capital of said association subscribed for by each is as follows:

Andrew Carnegie, $2,737,977.95.

Two million seven hundred and thirty-seven thousand nine hundred and seventy-seven and ninety-five hundredths dollars of this sum the said Andrew Carnegie, in four equal monthly installments of $136,898.90, beginning May 1, 1881, shall pay in cash a total of $547,595.59, and the balance of said sum, being $2,190,832.36, the said Andrew Carnegie pays by contributing his share in the real and personal properties described in the schedules hereto annexed.

Thomas M. Carnegie, $878,096.65.

Eight hundred and seventy-eight thousand ninety-six and sixty-five hundredths dollars: Of this sum the said Thomas M. Carnegie, in four equal monthly installments of $43,904.83 each, beginning May 1, 1881, shall pay in cash a total of $175,619.33, and the balance of said sum, being $702,477.32, the said Thomas M. Carnegie pays by contributing his share in the real and personal estate described in the schedules hereto annexed.

Henry Phipps, jr., $878,096.65.

Eight hundred and seventy-eight thousand ninety-six and sixty-five hundredths dollars: Of this sum the said Henry Phipps, jr., in four equal monthly instalments of $43,904.83 each, beginning May 1, 1881, shall pay in cash a total of $175,619.33, and the balance of said sum, being $702,477.32, the said Henry Phipps, jr., pays by contributing his share in the real and personal estate described in the schedule hereto annexed.

David A. Stewart, $175,318.75.

One hundred and seventy-five thousand three hundred and eighteen and seventy-five hundredths dollars: Of this sum the said David A. Stewart, in four equal monthly instalments of $8,765.94 each, beginning May 1, 1881, shall pay in cash a total of $35,063.75, and the balance of said sum, being $140,255, the said David A. Stewart pays by contributing his share of the real and personal properties described in the schedules hereto annexed.

John Scott, $175,318.75.

One hundred and seventy-five thousand three hundred and eighteen and seventy-five one hundredths dollars: Of this sum the said John Scott, in four equal monthly instalments of $8,765.94 each, beginning May 1, 1881, shall pay in cash a total of $35,063.75. And the balance of said sum, being $140,255, the said John Scott pays by contributing his share of the real and personal properties described in the schedules hereto annexed.

Gardner F. McCandless, $105,191.25.

One hundred and five thousand one hundred and ninety-one dollars and twenty-five cents: Of this sum the said Gardner F. McCandless, in four equal monthly installments of $5,259.56 each, beginning May 1, 1881, shall pay in cash a total of $21,038.25; and the balance of said sum, being $84,153, the said Gardner F. McCandless pays by contributing his share of the real and personal property described in the schedules herein annexed: John W. Vandevort, $50,000.

Fifty thousand dollars: Of this sum the said John W. Vandevort, in four equal monthly installments of $2,500 each, beginning May 1, 1881, shall pay in cash a total of $10,000; and the balance of said sum, being $40,000, the said John W. Vandevort pays by contributing his share of the real and personal properties described in the schedules hereto annnexed.

IV. The character of the business to be conducted is the manufacture and sale of all kinds of iron and steel in all their branches and the procuration and preparation of all materials necessary therefor.

The location of the business is as follows:

The steel works and blast furnaces therewith are situate in the township of Wilkins, in the county of Allegheny and State of Pennsylvania.

The iron mills now known as the Union Iron Mills are situated in the city of Pittsburgh, in the county of Allegheny and State of Pennsylvania. The blast furnaces now known as the Lucy Furnaces are situate in the eighteenth ward of the city of Pittsburgh, in the county of Allegheny and State of Pennsylvania. The coal mines and coke ovens now known as the Monastery Coke Works are situate in the township of Unity, in the county of Westmoreland and State of Pennsylvania. The coke ovens now known as Carnegie & Co.'s Larimer Coke Works are situate in the township of North Huntingdon, in the county of Westmoreland and State of Pennsylvania. The ore mines are situate in the township of Patton, in the county of Center and State of Pennsylvania, and known as the Scotia Ore Mines.

V. The name of the association shall be Carnegie Bros. & Co. (Ltd.).

VI. The contemplated duration of said association shall be 20 years. The principal office of said association shall be located at Bessemer Station, on the Pennsylvania Railroad, being in the township of Wilkins, in the county of Allegheny and State of Pennsylvania.

VII. The names of the officers of said association, selected in conformity with the provisions of said act, are: Thomas M. Carnegie, chairman; David A. Stewart, secretary and treasurer.

The managers of said association are Thomas M. Carnegie, Andrew Carnegie, Henry Phipps, jr., John Scott, David A. Stewart.

VIII. The several subscribers hereto do contribute the properties hereinafter mentioned and particularly described in the schedules hereto annexed, at the following valuations over and above the mortgage liens upon the same, which valuations are hereby approved by all the members subscribing to the capital of this association:

The property consisting of the steel works and blast furnaces therewith erected situate in the township of Wilkins, in the county of Allegheny and State of Pennsylvania, and now called the Edgar Thomson Steel Works, $2,385,000.

The surface coal mines and coke ovens situate in the township of Unity, county of Westmoreland, and State of Pennsylvania, $80,000.

The ore lands situate in the township of Patton, county of Center, and State of Pennsylvania, $35,000.

The blast furnaces, fixtures, and property known as the Lucy Furnaces, $750,000.

The iron mills and leaseholds and fixtures therewith connected, known as the Union Iron Mills, $630,000.

The undivided four-fifths interest in Carnegie & Co.'s Larimer Coke Works, $120,000.

Of these several properties the Edgar Thomson Steel Works and blast furnaces therewith connected, the Lucy Furnaces, the Monastery Coke Works, and the Scotia Ore Mines are each subject to mortgages particularly described in the schedules hereto annexed.

And each one of the subscribers hereto does hereby approve of the respective shares of said valuations applied as hereinbefore enumerated in the payment of the capital subscribed for by each.

In witness whereof the said parties have hereunto set their hands and seals this 1st day of April in the year of our Lord one thousand eight hundred and eighty-two.

ANDREW CARNEGIE. [SEAL.]

Witnesses:
W. M. WATSON.

THOMAS M. CARNEGIE, [SEAL.]
By ANDREW CARNEGIE. [SEAL.]
(His attorney in fact.)

JOHN A. HILLERY (J. A. H.).
(As to Andrew Carnegie.)

GARDNER F. MCCANDLESS. [SEAL.]

THOMAS M. CARNEGIE,
By ANDREW CARNEGIE.
(His attorney in fact, and
(for Gardner F. McCandless.)

HENRY PHIPPS, Jr. [SEAL.]
D. A. STEWART. [SEAL.]
JOHN SCOTT. [SEAL.]
JNO. W. VANDEVORT. [SEAL.]

M. H. HOUSEMAN.
W. M. WATSON.
(As to Henry Phipps, jr.,
D. A. Stewart, John Scott,
and Jno. W. Vandevort.)

STATE OF NEW YORK, *City of New York, ss:*

Personally before me, a commissioner of the State of Pennsylvania, residing in the city of New York and State of New York, and duly authorized and competent to take the acknowledgment of deeds for all lands in State of Pennsylvania, came Andrew Carnegie and Gardner F. McCandless and acknowledged the above and foregoing statement in writing and the schedules thereto annexed to be their act and deed, and as such desired the same might be recorded. At the same time and place also personally appeared before me Thomas M. Carnegie, by his attorney in fact, Andrew Carnegie, and the said attorney in fact did duly acknowledge the above and foregoing statement in writing and the schedules thereto attached to be the act and deed of the said Thomas M. Carnegie and of the said Andrew Carnegie as attorney in fact for the said Thomas M. Carnegie, and as such desired the same might be recorded as such.

Witness my hand and official seal this 26th day of March, A. D. 1881.

[SEAL.] JNO. A. HILLERY,
A Commissioner for Pennsylvania in the City of New York.

STATE OF PENNSYLVANIA, *County of Allegheny, City of Pittsburgh:*

Personally before me, a notary public of the State of Pennsylvania, residing in the city of Pittsburgh aforesaid, came Henry Phipps, jr., John Scott, David A. Stewart, and John W. Vandevort, each of whom in due course of law

acknowledged the above and foregoing statement in writing and the schedules thereto annexed to be their and each of their act and deed, and as such desired they might be recorded.

Witness my hand and official seal this 29th day of March, A. D. 1881.

[SEAL.] M. H. HOUSEMAN,
Notary Public.

(The schedules are omitted.)

To the within named defendants:

You are hereby notified and required to cause an appearance to be entered for you in the within-named court and file your answer to the within bill of complaint within 15 days after the service hereof on you, and to observe what the said court shall direct.

You are also notified that if you fail to enter your appearance and file your answer within 15 days you will be liable to have the bill taken pro confesso and a decree made against you in your absence.

Dated this —— day of ———, 1900.

JOHN G. JOHNSTON,
D. T. WATSON,
WILLIS MCCOOK,
Solicitors for Plaintiff.

Filed February 13, 1900.

STATE OF PENNSYLVANIA, *County of Allegheny, ss:*

I, William B. Kirker, prothonotary of the courts of common pleas in and for Allegheny County, do hereby certify that the foregoing is a true copy of the bill of complaint filed of record in my office at No. 422, March term, 1900.

In witness whereof I have hereunto set my hand and affixed the seal of common pleas court No. 1, this 7th day of June, A. D. 1911.

[SEAL.] WM. B. KIRKER, *Prothonotary.*

The CHAIRMAN. Mr. Carnegie's attorneys have kindly agreed that, inasmuch as Mr. Bridge is anxious to return to New York, he may be permitted to take the stand for a few minutes now.

This is in connection with his book, The Inside History of the Carnegie Steel Company, being apparently a documentary history of that concern and containing excerpts and copies and photographic reproductions of letters and other papers which have been imported quite extensively into the report of Herbert Knox Smith on the steel industry and have been used by a good many members of the committee as a basis for various questions.

STATEMENT OF J. H. BRIDGE.

The witness was duly sworn by the chairman.

The CHAIRMAN. Mr. Bridge, are you the author of this book, The Inside History of the Carnegie Steel Company?

Mr. BRIDGE. Yes, sir.

The CHAIRMAN. Did you have access to the books and papers of the Carnegie Steel Co. when you wrote the book?

Mr. BRIDGE. No, sir.

The CHAIRMAN. Or to the documents which are reproduced here?

Mr. BRIDGE. Yes; to the documents which are reproduced, but not to the books.

The CHAIRMAN. On page 98 here, for instance, is a copy of a balance sheet, which appears to be a literal photographic copy, and a photographic copy of letters.

Mr. BRIDGE. Yes. Those were originals which were in my possession at the time the copies were made.

The CHAIRMAN. That is the balance sheet that is copied in Herbert Knox Smith's report?

Mr. BRIDGE. Yes. He copied it from my book, and I had the original and had it photographed.

The CHAIRMAN. I will ask you to take this book where certain pages are marked in this copy, giving excerpts from the books of the company, estimates of cost, descriptions of processes, extracts from the books showing the profits, and capitalization of the company at various times, letters from the Olivers, from Mr. Carnegie and others, touching the ore field, and the final sale of the property; and I will ask you if these places so marked by you and the figures there given are all taken from the original records.

Mr. BRIDGE (after examining the passages marked as indicated by the chairman). They are.

The CHAIRMAN. I will say in addition to that, that besides giving a history of the Carnegie Steel Co., there is a description of the relative merits and demerits of Mr. Carnegie and Mr. Frick, and of the parts each played in the organization of this concern. In that controversy, of course, this committee is not in any way interested.

Mr. BARTLETT. Those passages are not marked?

The CHAIRMAN. No. We have cut out all of that that we could; and I submitted this book to Mr. Carnegie's attorneys, and they found several places that we had overlooked where some little reference was made to Mr. Carnegie and to Mr. Frick in the way of comparison; and Mr. Reed struck them out with my approval and that of the committee, because we do not want to go into that question.

The blue-pencil marks to which I have referred, Mr. Bridge, were made by you?

Mr. BRIDGE. Yes.

Mr. YOUNG. The question was whether these are correct copies of the originals, was it not?

The CHAIRMAN. Yes.

Mr. BRIDGE. These are correct copies of the records; many of them photographic copies.

Mr. YOUNG. That is, all of the matters which are marked there with a blue pencil?

Mr. BRIDGE. Yes; they are either copies of the original records or statements based on the original records which I still have.

Mr. REED. I wish to say at this point that in some cases some of Mr. Bridge's comments are included in these passages which have been marked with blue pencil, and, of course, it is understood that as to that portion of this matter it is simply his opinion on the facts.

The CHAIRMAN. Oh, yes.

Mr. YOUNG. Certainly. That is understood.

The CHAIRMAN. The following are the extracts from Mr. Bridge's book, The Inside History of the Carnegie Steel Co., which have just been referred to:

From pages 94, 95, 96, 97, 99, 100, 101, and 102:

The admirable system of accounting introduced by Mr. Shinn enabled the Edgar Thompson managers to see at a glance the exact cost of every one of the many operations entering into the manufacture of a ton of ingots, blooms, or rails. Every month cost sheets were made out in which these items were

given to the hundredth part of a cent. These statements were marvels of ingenuity and careful accounting.

The first was issued on October 1, 1875. It gave in detail the output and cost of the first month's run, together with the name of the purchasing railroads and the prices received. It was a gratifying document to the anxious partners. The output for September, 1875, was $1,119\frac{92}{2240}$ tons of rails. Their cost was exactly $57 a ton, including all charges, even to office expenses and maintenance of the plant. The prices received averaged $66.50 a ton at the works, thus leaving a clear profit of $9.50 a ton, and a total of over $10,000 on the month's work. In the second month the output was $1,817\frac{1333}{2240}$ tons, which cost $57.20 and sold for $66.32. At the end of the year the average of four months' operations showed that ingots had cost $43.33 a ton, blooms $47.17, and rails $58.45. The average price at which they sold was a fraction under $66 a ton giving a total profit on rails of $41,970.06. The percentage of rails from pig iron and spiegel was 80.56; and this was afterwards used as a basis on which to figure the making of contracts.

During the following year the improvements in processes made by Capt. Jones, already referred to, greatly increased the output and reduced the cost. On the other hand, prices also fell. Andrew Carnegie wrote this year to one of his colleagues:

"We must not lose sight of the fact that the great products now made must affect prices. I look for cost to be reached for a short time, say, 50.50 at mills with us. Some concerns must stop. Therefore any orders we can take netting above 52.50 had better be taken—$55 at mills is a tall price—Pennsylvania steel (i. e., Pennsylvania Steel Co.) has offered $60, Baltimore to Georgia Railroad, but I hope to get a small order—"

In the same letter, however, he waxes enthusiastic over the future:

"What do you really figure we can put rails at cost, running double 4,000 tons per month on this basis? Can't we shade $50? If so, where is there such a business—"

And so alluring is the picture in his mind that in the next sentence he says:

"I want to buy Mr. Coleman out and hope to do so—"

But that is another part of the story.

Concerning his great expectations at this time, the following extract from a letter of his to Shinn, dated April 13, 1876, is interesting. He estimates future profits at 40 per cent per annum, or $300,000 net on a capital of $750,000:

"Harry, Jim, and I want your entire time, and we are only too anxious to be able to feel you are enlisted thoroughly in the work. It is a great one and means $40,000 a year profit on $100,000, on an average, say, $750,000 cash, $300,000; interest on loan, $25,000; total, $325,000; 50,000 tons at $7. The bulk will not stand permanently below that to us—say price rails at works average $55, cost $48. So years we shall do far better. * * *" (Photographic reproduction.)

The price of rails this year (1876) dropped steadily from $67 in January to $52 in December; but the average price received by the Edgar Thompson Co. for the 16 months ending December 31, 1876, was $60.61. The product for the year was 32.228 tons, and for 16 months $38.284\frac{578}{2240}$ tons. The cost of manufacture, which averaged $56.98 for the first 7 months, had dropped to $53.19 for the second 7 months. The net earnings for the year amounted to $181,007.18 on a capital issue of $731,500.

The output of rails for 1877 was $42,826\frac{974}{2240}$ tons. Both prices and cost of manufacture show a remarkable decline. They are as follows:

	Cost at Edgar Thomson works.	Price at mills.		Cost at Edgar Thomson works.	Price at mills.
January	$46.6775	$49.00	July	$44.8750	$45.25
February	44.89	49.00	August	42.5554	44.75
March	44.1028	49.00	September	43.8302	44.00
April	43.585	49.00	October	42.0048	42.25
May	45.6335	47.25	November	40.1314	40.50
June	42.2803	46.50	December	40.3588	40.50

It must be inferred from this that during the later months of the year the company was running at a loss, for the rails made in November and December had been sold at prices prevailing 9 or 12 months earlier. At the same time profits were greatly diminished, and the year's balance sheet showed only a net gain of $36,673.33. But about $115,000 had been spent on the works and some $20,000 of indebtedness had been paid off. As a matter of fact, the profits of all the Carnegie works this year aggregated $190,379.33.

In February of this year the first dividend was declared, being 25 per cent in scrip. In August a second dividend of 14 per cent was declared, part of which was applied on stock and part paid in cash. In this way the capital was raised to $1,000,000. In October dividend No. 3, of 2¾ per cent, was declared, making a total for the year, in cash and stock, of 41¾ per cent.

At the beginning of 1878 Andrew Carnegie shows that further reductions in cost to $38 were expected, while the price to be received was put at $42.50, with an allotment by the steel-rail pool of 60,000 tons. This would give a profit of $240,000 from rails, and other additions not now traceable were expected to bring the total net profit to $250,000. Well might he exclaim, "Where is there such a business!"

Let us see how the prophecy turned out. By March, 1878, thanks to Capt. Jones's excellent practice at the works, the monthly product of rails had reached 7,383 $\frac{1116}{2000}$ tons. The cost of ingots had been reduced to $29.50 and that of rails to $37.77. During the year the cost of making rails did not go more than a few mills above $38. In April it was $38.066; in May, $36.81; in June, $37.925; in July, $38.013; in August, $37.829; in September, $36.987; in October, $36.114; in November, $36.415; and in December, $36.525. The average price at which they were sold was $42.50, exactly corresponding with Carnegie's guess. The net profits of a single month (November) amounted to a fraction of $52,000, and Andrew Carnegie, apropos of lofty heights, writes from Sorrento:

"Pyramids and Mount Etna and Vesuvius have been our last climbs. Mount Etna, of course, we did only from the base. Tell Capt. Jones there was a proud little stout man who gave a wild hurrah when he saw E. T. ahead. Was not it a close race with C. I. Co.? But they had a start. Besides, we had to go through with the measles, you know."

The earnings of the Edgar Thomson works this year were $401,800—over 31 per cent on its capital, which had been increased to $1,250,000. Andrew Carnegie, by the way, subscribed for the whole of this increase, and a year later was shown by the balance sheet to owe the company $175,000 on account of stock subscription.

The next year the price of rails took a sharp upward spurt, reaching $67 a ton in December and $85 by February, 1880. In the same period the cost of manufacture was slightly reduced. In January, 1879, rails cost $38.606 a ton to make, and in May $35.845. During the first six months of this year the Edgar Thomson works made $252,854. The second half of the year the gains were even greater. In August, with rails selling at $48, there was a clear profit of $10.50 a ton (pig iron had gone up $12.50); in October a fraction under $15, and by December over $22 a ton net profit. The monthly output of ingots now exceeded 10,000 tons and of rails five to six thousand tons. "Where is there such a business!"

These golden times continued throughout the following year. In January the difference between the selling price of rails and the cost of pig iron was $53 a ton, the former being $75 and the latter $22 a ton. The next month it was $65, and of this something like $40 a ton was clear profit to the Edgar Thompson Steel Co., who were running day and night and had orders for 80,000 tons of rails. Without burdening this narrative with further details of costs and prices, it may be briefly stated that in this 12 months the Edgar Thompson Works made a profit of $1,625,000. For an infant industry not out of its swaddling clothes that was a very fair showing, and was certainly as legitimate a cause of exultation on the part of the members of the firm as those more public triumphs in mechanics already spoken of. The highest price of rails reached this year was $85 a ton. Who shall say, in presence of these facts, that protection is not synonymous with prosperity?

To the Carnegies the tariff was specially helpful at this time, when an extraordinary demand arose for iron and steel in all its forms. The American manufacturers were unable to meet this demand, and prices rose to a point at which importations of foreign steel could be made despite the high duties. From $19,000,000 in 1879 these importations rose to over $71,000,000 in 1880, $60,500,000 in 1881, and $68,000,000 in 1882. Simultaneously the profits of the

Carnegie companies rose from $512,068.46 in 1879 to $2,000,377.42 in 1881 and $2,128,422.91 in 1882; for while the cost of rails was between $34 and $38.50, the average price received during these years was $56.26. It is obvious that but for the tariff these enormous gains would have been impossible, and the magnificent series of blast furnaces, into the construction of which these profits went, would never have been built. Of course, the railroads of the country paid the difference; but they eventually got it back, and more, out of the enormous tonnage of ore, coke, and lime needed by the furnaces. Here, however, we are trenching upon debatable ground, and that is neither necessary nor desirable in a work of this kind, which aims only to set out the facts and leave the reader free to draw his own conclusions.

During the following years, before Mr. Frick came into supreme power and multiplied the Carnegie profits elevenfold in 11 years, the net earnings of all the properties whose history we are tracing reached the following annual totals. The average price of steel rails for these years is also given.

	Annual net earnings.	Average price of rails.		Annual net earnings.	Average price of rails.
1883	$1,019,233.04	$37.75	1886	$2,925,350.08	$34.50
1884	1,301,180.28	30.75	1887	3,441,887.29	37.08
1885	1,191,993.54	28.50	1888	1,941,555.44	29.83

From page 110:

In increasing the output of these works I soon discovered it was entirely out of the question to expect human flesh and blood to labor incessantly for 12 hours, and therefore it was decided to put on three turns, reducing the hours of labor to 8. This proved to be of immense advantage to both the company and the workmen, the latter now earning more in 8 hours than they formerly did in 12 hours, while the men can work harder constantly for 8 hours, having 16 hours for rest.

From pages 131, 132, 133, 134, and 135:

PITTSBURGH, *April 4, 1881.*

JOHN SCOTT, ESQ., *Pittsburgh, Pa.*

DEAR SIR: I have your letter of March 31, in which you refer to the basis of consolidation of interests of the Edgar Thomson Steel Co. (Ltd.) with the Lucy Furnace Co., Carnegie Bros. & Co., and Carnegie & Co., on the basis of 55 per cent to the former and 45 per cent to the latter, and ask how I came to recommend what you characterize as "such a mistake."

In reply, I will state the circumstances under which the proposed consolidation was first discussed and what led me to assent to the basis named.

In August, 1879, I was invited to Mr. T. M. Carnegie's one evening, where I found Messrs. A. Carnegie, T. M. Carnegie, and H. Phipps.

The subject of the consolidation was broached, and they produced statements of cost and earnings of their properties, as follows:

	Cost to July 1.	Earnings, 1878.	Six months, 1879.
Union Iron Mills	$813,000	$153,000	$98,000
Lucy furnaces	662,000	120,000	70,000
Coke works, four-fifths	100,000	20,000	16,000
Total	1,575,000	293,000	184,000

The cost of E. T. works, exclusive of the amount expended on furnaces and the earnings for the same period, had been as follows:

Cost of E. T. works July 1, 1879		$1,522,159.16
Profits, 1878	$401,800	
Profits, 6 months, 1879	252,845	
		654,645.00

The cost and earnings of the two properties compared then as follows:

	Cost.	Earnings, 18 months.
E. T. S. Works	$1,522,000	$654,645
Carnegie's Works	1,575,000	477,000

But the E. T. S. Co. had furnaces A and B well under way, and expected to complete them by January 1, 1880; and I claimed there should be added to the cost and earnings of E. T. S. Co. an amount equal to four-fifths the cost and earnings of Lucy furnaces, or to cost, say, $528,000; and to earnings, $200,000. This made them compare as follows:

	Cost.	Earnings, 18 months.
E. T. S. Works	$2,050,000	$854,645
Carnegie's Works	1,575,000	477,000

the proportions of which were relatively—

	Per cent of cost.	Per cent of earnings, 18 months.
E. T. S. Works	56.5	64
Carnegie's Works	43.5	36

the average of which gave E. T. S. Works 60 per cent, Carnegie's 40 per cent, and I therefore proposed to accept 60 per cent for E. T. S. Works.

T. M. Carnegie demurred to this, alleging that the E. T. S. Works had been unusually profitable in past 18 months, while the furnace property had been very unusually depressed, pig iron having sold at very low prices; and he insisted on 50 per cent for the Carnegie Works.

Carnegie then pointed out that the E. T. S. Works had a debt of $186,000 on its land, which would have to be assumed by the joint interest, which, if deducted, would allow only $1,864,000 as cost of E. T. S. Works, or 54 per cent of the whole.

Upon these considerations, and for the reason named by you, viz, to destroy the unceasing strife and bad feeling in the fixing of prices for metal bought of Lucy Furnace Co., in which I had been annoyed almost beyond endurance, I suggested 55 per cent as a compromise, which was agreed to.

It was not mentioned, nor was I aware, that the land on which the Lucy Furnaces and Union Iron Mills were built was not owned by them; and when Mr. Carnegie urged the mortgage on the E. T. S. property in reduction of its value he knew that a similar and much more important incumbrance was on the Union Iron Mills property, which I now understand was only leased, at a rental of $4,855 annually, and liable to be greatly increased when present leases expire.

This is equal to a mortgage of $80,900; mortgage on Lucy Furnace property, $160,000; making a total incumbrance of $240,900, of which no mention was made at the time, of which I had not the slightest knowledge or suspicion, and which good faith required should have been set forth.

Had I known of these incumbrances I never would have agreed to consolidating on the basis of 55 and 45 per cent, nor would I have agreed to it at all, except to harmonize our interests on the point which had caused so much difficulty and hard feeling.

I see that in the new firm of C. B. & Co. (Ltd.) they put in the respective properties—

E. T. S. property (62½ per cent)	$2,500,000
Carnegie property (37½ per cent)	1,500,000
Total	4,000,000

which is much nearer what the real proportionate value was a year ago.

Yours, truly,

WM. P. SHINN.

The following interesting data appeared in a footnote to Mr. Shinn's letter:

1880, profits, E. T. S. Works		$1,625,000.00
Lucy	$294,524.97	
Coke	96,295.97	
Union Mills	55,836.71	
		446,657.65
		2,071,657.65
(Chgd. Impts.)		
Lucy Furnace Co	131,259.57	
Union Mills	55,200.62	
		186,460.19
Leaves actual profits		260,197.46

The new firm referred to by Mr. Shinn was Carnegie Bros. & Co. (Ltd.), which was organized on April 1, 1881, with a capital of $5,000,000. Of this, $4,000,000 was represented by the Union Iron Mills, the Lucy Furnaces, certain unimportant coke interests of Andrew Carnegie, and the Edgar Thomson Works. The rest was to be paid in cash. In this consolidation the interests were apportioned as follows:

Andrew Carnegie	$2,737,977.95
Thos. M. Carnegie	878,096.58
Henry Phipps	878,096.58
David A. Stewart	175,318.78
John Scott	175,318.78
Gardiner McCandless	105,191.00
John W. Vandervort	50,000.00

The last named was Carnegie's companion on his trip around the world. He soon fell sick and withdrew from active business to California, where he died in 1897.

The earning powers of the several properties are given in the footnote to Mr. Shinn's letter quoted above. Their estimated values are given in the articles of incorporation as follows:

Edgar Thomson Works (mortgage, $594,000)	$2,385,000
Coal mines and coke ovens at Unity	80,000
Ore lands at Patton	35,000
Lucy Furnaces (mortgage, $160,000)	750,000
Union Iron Mills	630,000
Four-fifths interest in Larimer Coke Works	120,000
	4,000,000

The advantages if industrial consolidation had not at this date received any general recognition, and, as we have seen, it was other considerations than increased efficiency and economy that prompted the first imperfect combination of the Carnegie properties.

As illustrating how vague and incoherent were the plans of the group of men controlling the property at this time, it may be mentioned that two months after the consolidation described, the Lucy furnaces were taken out of it and turned over to Wilson, Walker & Co. During these eight weeks, however, their value was supposed to have increased from $750,000 to $1,000,000; and Messrs. John T. Wilson, James R. Wilson, and John Walker each subscribed for $142,857 of stock in the Lucy Furnace Co. (Ltd.), with its $1,000,000 capital. Andrew Carnegie's share in it amounted to $420,627; the rest of the

group holding interests from $58,539 in the cases of Thomas M. Carnegie and Henry Phipps to $3,333 in the case of John Vandevort.

Pages 150–151:

On October 21 of that year, however, an event occurred of first importance in the history of Homestead. This was the incorporation of the Pittsburgh Bessemer Steel Co. (Ltd.), with a capital of $250,000. The founders of this company were all connected with the firms which had been supplied with merchant steel for a time by the Edgar Thomson Co., and, as already related, had been suddenly been cut off from supplies through the refusal of that firm to fill orders for billets. Their subscriptions were as follows:

William G. Park, of Park Bros. & Co., 5 shares	$50,000
Curtis G. & C. Curtis Hussey, of Hussey, Wells & Co., 5 shares	50,000
William H. Singer, of Singer, Nimick & Co., 5 shares	50,000
Reuben Miller, of the Crescent Steel Works, 4 shares	40,000
William Clark, of the Solar Iron & Steel Works, 4 shares	40,000
Andrew Kloman, of the Superior Mill, Allegheny, 2 shares	20,000

The Singer concern made a specialty of tool cast steel, patent rolled saw plates, spring and plow steel, axles, tires, etc. The Hussey firm made refined cast steel for edged tools, homogeneous plates for locomotives, boilers, and fire boxes, and cast-steel forgings for crank pins, car axles, etc. Park Bros. were the owners of the Black Diamond Steel Works, and were in a somewhat similar line, while Kloman had leased the Superior Mill in Allegheny and had recommended the manufacture of eyebars and structural material. He was also rolling light rails.

Kloman's lease ran out in 1879, and he decided to build a mill of his own. He bought a small tract of land adjoining the city farm at Homestead and commenced the erection of a building 684 feet long by 85 wide, to contain a 21-inch rail mill, 2 Universal mills, a 16-inch bar train, and a muck train. At the same time the Pittsburgh Bessemer Steel Co. bought some 40 or 50 acres of land adjoining Kloman's and commenced the erection of a converting works blooming mill. The two concerns were designed to work together, Kloman taking the surplus product of the Bessemer Steel Co. and working it up into structural shapes. One Universal mill and four steam hammers were to be constantly run on the Kloman patent solid eyebars, and he gauged the capacity of his plant at 50,000 tons of steel rails and 30,000 tons of structural material annually.

Page 159:

Accordingly in October, 1883, the Homestead mills became the property of the Carnegie group. The price paid was the cost of the plant, with a reasonable allowance for increased land values. Little cash was paid, and the notes given in payment were subsequently liquidated out of the profits of the mills.

The Carnegies, with a view of holding for themselves the markets created by the old stockholders, offered the latter the privilege of remaining in the enterprise, but, with one unimportant exception, they declined the offer, and taking their little checks and notes went out of the enterprise with grateful hearts. The interest of the one who remained was eventually sold for about eight millions.

Pages 169–170:

This mammoth body owned its own mines, dug its ore with machines of amazing power, loaded it into its own steamers, landed it at its own ports, transported it on its own railroads, distributed it among its many blast furnaces, and smelted it with coke similarly brought from its own coal mines and ovens and with limestone brought from its own quarries. From the moment these crude stuffs were dug out of the earth until they flowed in a stream of liquid steel into the ladles there was never a price, profit, or royalty paid to any outsider. Without any cessation of motion and with hardly any loss of heat this product passed with automatic precision into the multitudinous machines which pressed it into billets, rails, armor plate, bridge structures, beams, and the endless variety of shapes required in modern architecture. Finally these highly finished materials were often conveyed to consumers over the same transportation systems as before, and the profit of every movement, as of every process and change of form, passed without deduction into the exchequer of

which was now the Carnegie Steel Co. (Ltd.), a single organization with one mind, one purpose, one interest. The annual earning power of this great institution increased under Mr. Frick's direction from $1,941,555 to $40,000,000 in a dozen yeas, while its annual product of steel increased during the same period from 332,111 tons to 3,000,000 tons. The change thus baldly and inadequately expressed in terms of dollars and tons makes a most impressive record for such a short period of any manufacturing organization in this or any other country.

Pages 171–173:

In 1850 there were only 4 establishments making coke in the whole of the United States In 1860 the census shows that there were 21 such establishments, all in Pennsylvania, and 10 years later, when Frick had already appeared on the scene and had become interested, there were about 25 coking plants in the country.

In 1871 young Frick organized the firm of Frick & Co., with Abraham O. Tintsman, one of his grandfather's partners, and Joseph Rist. They had 300 acres of coal lands and a plant of 50 coke ovens. At this time there were not 400 ovens in the whole Connellsville region, which included an area of 100 square miles. The Mount Pleasant & Broad Ford Railroad, of which Frick was one of the projectors, was opened about the same time. The next year Frick & Co. erected 150 more ovens. Then the panic of 1873 came, and everybody but Frick thought the business had come to an end. But he had gauged its possibilities, and with a confidence in the country's growth rare in one of his years, he realized that the depression was of that tidal character which would eventually carry the business to higher levels than before. Timid competitors, anxious to sell out at any price, found a ready purchaser in the firm of Frick & Co., and in the lean years following the panic he had acquired the interest of his partners, who, burdened with unpaid-for purchases, staggered and finally fell in the storm. By a singular paradox the panic which ruined his partners made Henry C. Frick's fortune. When the trouble had passed the price of coke rose from 90 cents to $4 and $5 a ton, and the boom put young Frick at the head of the coke industry. By 1882, when Frick admitted the Carnegies into his business, he had acquired 1,026 ovens and 3,000 acres of coal land.

The business was now reorganized with a capital of $2,000,000, and a year later this was increased to $3,000,000 to keep pace with the expansion of the trade. By 1889, when its capital was increased to $5,000,000, the H. C. Frick Coke Co. owned and controlled 35,000 acres of coal land and nearly two-thirds of the 15,000 ovens in the Connellsville region, three water plants with a pumping capacity of 5,000,000 gallons daily, 35 miles of railroad track, and 1,200 coke cars. The company employed 11,000 men. The volume of shipments amounted to 1,100 carloads a day, or 330,000 cars a year. This is equivalent to 10,000 trainloads, which, strung together, would extend from New York to San Francisco, or from London across the Continent of Europe, through Persia, and well on the road to India.

In 1895 the capital of the H. C. Frick Co. was further increased to $10,000,000. It now owned 11,786 ovens; 40,000 acres of Connellsville coal lands out of a total of 60,000 to 65,000 acres, and its capacity was 25,000 tons of coke a day, or 80 per cent of the entire production of the Connellsville region. A little later its monthly output amounted to an even 1,000,000 tons.

Pages 254–255:

On July 1, 1892, for the first time in the history, the separate establishments whose growth we are tracing were brought into a single organization and endowed with one mind, one purpose, one interest. Mr. Frick was too wise a general to enter a battle with his forces needlessly scattered, and while fences were being built around the company's works their corporate strength was also concentrated and made instantly responsive to his will.

The consolidation of the different Carnegie interests had, however, long been contemplated by Mr. Frick. As early as February, 1890, he had discussed the project with Mr. Abbot, chairman of Carnegie, Phipps & Co., and had made it the subject of a written communication to Mr. Carnegie. But at that time there were obstacles of a financial nature. One concern was used to make paper for the other, as the phrase is—that is, one Carnegie company selling to another, was able to discount the notes it received in payment, so that the transaction had all the banking advantages of an outside trade. On occasions,

too, such notes could be discounted without any antecedent sale. In transactions of this kind Mr. Stewart, with his strong financial connections, had long proved very useful.

Page 255:

In the consolidation of July 1, 1892, the Carnegie Steel Co. (Ltd.), became the owner of the Upper and Lower Union Mills, the Lucy Furnaces, the Edgar Thomson Steel Works, the mills at Homestead, the newly acquired property at Duquesne, the Keystone Bridge Works, the unprofitable and prolonged experiment at Beaver Falls, with a few other interests in ore and natural gas sprinkled about western Pennsylvania. The capital was $25,000,000. It was a gigantic concern; but, as De Tocqueville says of the United States of his time, it was "a giant without bones." It had gristle, however, and this soon hardened into bones.

Having brought the separate establishments into a single organization, Mr. Frick now sought to harmonize their relations so that each plant would serve to supplement and round out the operations of every other. This he affected by the Union Railway, which he built to connect the principal works with each other and with all the different transportation systems entering the Pittsburgh district. It was a masterly conception, for it unified the scattered works and made them as easy to operate as if they had been contiguous. At the same time it gave them unequaled transportation facilities through direct connection with every important railway system in western Pennsylvania.

The advantages of easy exchange of products among the different works can not be stated in figures. But they have their place in the phenomenal record of the firm's profits, given elsewhere. The saving in switching charges alone paid interest on the cost of the railroad; and the company was allowed 25 cents a ton rebate on all rates.

A further advantage was that the company thus regained possession of its own yards. Hitherto the different railroads running into the works had control of all tracks and sidings, and so tenaciously did they hold to these cheaply acquired rights that they often resisted the extension of a mill that involved the removal of a track. This cause of annoyance now came to an end, and a judicious rearrangement of tracks and sidings so as to meet changed conditions resulted in a great saving of yard space and expedited the handling of vast tonnages. The superiority of this system, by which the traffic was regulated by one organization instead of by several railroads, is readily seen when a statement is made of the total tonnage entering and leaving the works of the Carnegie Steel Co. In 1899 this amounted to 16,000,000 tons—as much as the combined total freight handled by the Northern Pacific, Union Pacific, and Missouri Pacific Railways, with their 13,000 miles of track, 1,500 locomotives, and 50,000 freight cars.

The next step in the progress of this great industrial aggregate toward completeness was that which gave it possession of the iron ore it needed. This was the only thing it had to buy of outsiders. So long as it did not itself produce everything it needed, it could not be considered a perfect industrial unit, such as it was Mr. Frick's ambition to make it. An accident helped him to a realization of his great plans, though they were nearly frustrated through the unexpected opposition of Mr. Carnegie.

The story of the way the Carnegie Steel Co. acquired its great ore mines on the Lake Superior lacks none of the romance that makes the history of Homestead and Duquesne so interesting. It is a story of a huge profit made with hardly a dollar of investment, and the accepting of an impregnable position in the industrial world with a reluctant and complaining consent. It is the amplified tale of the "most hazardous enterprise," told afresh; but where a thousand dollars was involved, a hundred millions now hold our interest. Unfortunately it is a story that shadows all preconceptions of the genius necessary to achieve millionaireship; but that is merely incidental. Among the boy companions of Thomas M. Carnegie was Henry W. Oliver. He had become one of the cleverest business men of Pittsburgh, and had made several fortunes in iron and steel manufacture before he reached the maturity of midlife. He was singularly far-sighted and enterprising, and a skillful financier. Some time in 1892 he formed a company, called after himself, to operate the Missabi Mountain mine on the Mesaba Range, his main object being to provide a cheap and uninterrupted supply of high-grade Bessemer ore for his own furnaces.

Mr. Frick, who had similar ideas for his own works, watched the experiment with interest, and presently he suggested to Mr. Oliver that an ore combination with the Carnegie Steel Co. might be made mutually beneficial. Mr. Oliver was quick to see the advantage of such a union, permitting him, as it would do, to bargain with independent miners and transportation companies on a basis of a high minimum. In other words, the enormous consumption of ore of the united plants would enable him to offer a guarantee tonnage to railroads and steamboat companies in exchange for low rates, as well as to make exceptional offers to mine owners willing to let their ores be worked on a royalty basis. He therefore viewed the suggestion with favor, and, after some negotiations, agreed to Mr. Frick's proposal to give the Carnegie Co. one-half thte stock of the Oliver Mining Co., conditioned on a loan of half a million dollars, secured by a mortgage on the ore properties, to be spent in development work. In this ingenious way Mr. Frick so arranged that the Carnegie ore interest would not cost a dollar.

The matter was at once brought to the attention of Mr. Carnegie, who opposed it.

Mr. Frick, however, made the combination with Mr. Oliver, and, on his return from Europe, Mr. Carnegie expressed himself vigorously in condemnation of it.

Mr. Carnegie's attitude was not modified by the successful working of the arrangement, and during the next two years he repeatedly placed himself on record, with increasing emphasis, as being opposed to any venture in Lake Superior ores. Writing to the board of managers from Buckhurst Park, Withyham, Sussex, on April 18, 1894, he says again:

"The Oliver bargain I do not regard as very valuable. You will find that this ore venture, like all our other ventures in ore, will result in more trouble and less profit than almost any branch of our business. If any of our brilliant and talented young partners have more time or attention than is required for their present duties, they will find sources of much greater profit right at home. I hope you will make a note of this prophecy."

It subsequently transpired, however, that Mr. Carnegie thought his company was entitled to a larger share than one-half of the Oliver Mining Co.'s stock, and Mr. Oliver consented to sell the Carnegies an additional interest of one-third, making their holdings five-sixths of the total stock. But he took care to safeguard his own interests by a contract under which the Oliver furnaces were entitled to one-sixth of all ore mined by the company. At this time the capital of the Oliver Mining Co. was $1,200,000.

In 1896 Messrs. Oliver and Frick made the celebrated Rockefeller connections, by which they leased the other great mines on the Mesaba Range on a royalty basis of only 25 cents a ton. This low price was given by the Rockefellers in consideration of a guaranteed output of 600,000 tons a year, to be shipped over the Rockefeller railroads and steamships on the Lakes, with an equal amount from the Oliver mine. This amounted to 1,200,000 tons a year; and as the contract was to run for 50 years, it means a guaranty of 60,000,000 tons of freight, at 80 cents a ton by rail and 65 cents a ton on the Lakes, a consideration great enough to justify the low royalty of 25 cents when other mine owners were getting 65 cents. To the Carnegie-Oliver iron interests it meant a visible saving of $27,000,000.

This alliance with the Rockefellers had an unexpected result. It produced a panic among the other mine owners, and stockholders in Boston, Chicago, Cleveland, and the Northwest hastened to get rid of their ore properties at almost any price. The demoralization extended to the ore markets, and Norrie, which sold at $6 a ton in 1891, dropped to $2.65 on the docks at Cleveland.

This was Mr. Oliver's opportunity, and, backed by Mr. Frick and some of the more enterprising Carnegie managers, like Curry, Schwab, Gayley, and Clemson, he hastened to secure options on all the best mines in the Lake Superior region. The following is the argument he submitted to the Carnegie managers on July 27, 1897:

NEW YORK, N. Y., *July 27, 1897.*

H. C. FRICK, *Chairman.*

DEAR SIR: I mail you my specific reports on the Norrie, Tilden, and Pioneer mines.

I now address you mainly to impress my views that it should be our policy to acquire all three of these properties. We (I mean the Carnegie and Oliver furnaces) have paid more than our share of tribute to Cleveland and Northwestern miners. Part of their receipts were profit, but a large part was wasted in expenses that we will in the future save—in exploration, in which we will

benefit; in development of mines that have proved failures; and in excessive freight rates to steamship lines controlled by the Cleveland middlemen. All this would stop. I claim that we could produce and deliver our ore to Lake Erie ports 20 to 30 cents per ton cheaper than it can be done by those now in control of the mines we seek. Our saving would be in steady and more regular mining, in avoiding a line of high-salaried officers, in procuring lower lake freights, and in saving the Cleveland commission of 10 cents per ton. I am satisfied that the economies that we will practice in the lines above indicated will be fully equivalent, in the future, to any royalties we may pay. The Carnegie furnaces and the Oliver furnaces will require about 4,000,000 tons of ore per annum. Our minimum, under my proposition, would stand as follows:

	Tons.
Mesabi	1,200,000
Norrie	700,000
Tilden	400,000
Pioneer	500,000
Total	2,800,000

On the above the only cash obligation that we will have if my plan is carried out is in the purchase of the Norrie stock. The Mesabi leases we can throw up on six months' notice and the Tilden and Pioneer leases on three months' notice. The amount that we would invest in the Norrie is a very small item, considering the immense stake we have in the business, and the fact that if we do not fortify ourselves on the plan that I have indicated, it would be easy for the mine owners to exact three to four millions of dollars, or even a greater sum, from us as a profit on the ore we consume. A glance at the prices paid for ore the past 10 or 15 years will show that my estimate of the profits that we have paid them is extremely conservative.

Excuse me for bringing to the attention of yourself and your associates the fact that the Carnegie Co. never heretofore hesitated to invest millions of dollars to save 25 cents to 50 cents per ton in the manufacture of pig iron. You destroy old plants and erect new ones to save a quarter of a dollar per ton. You are now engaged in building a railroad to the Lakes at an immense expenditure of treasure and credit, with the ultimate object of making a saving (in which your competitors, to a certain extent, will share) of 25 to 30 cents per ton and to protect Pittsburgh against high ore rates in the future. I propose, at a risk of using our credit to the extent of $500,000 or possibly $1,000,000, to effect a saving, in which our competitors will not share, of four to six million dollars per annum. All arguments to the contrary notwithstanding, I know I am right in these matters; as, in my judgment, with a knowledge of the nature of the ownership of the mines in the Northwest, no power can prevent their soon coming together and exacting the old time price for ore.

On the Gogebic Range the mines I have selected comprise over 80 per cent of developed ore or "ore in sight." They comprise in this year's pool about 60 per cent of the allotment, the allotment being made not on the basis of ore in sight but on the basis of the preceding year's shipments. They are the only mines on the range that can mine ore at present prices and make money. The other mines, with their small product and heavy general expenses, are not making 1 cent per ton. The result is that one or two of the smaller of these mines are being thrown up this year; and with proper care and attention, if we were on the ground, we should be able to take up practically all of them.

Doubts may arise as to the quantity of ore in the properties we propose to take up. The question is, however, if the ore is not in the mines I propose to acquire, where can it be shown to exist? In properties available to lease or purchase? In the ranges other than the Mesabi Range? I have selected as the properties we should acquire the mines that common report names as having the largest quantity, and our special reports confirm that view. If there be not large quantities of ore in the properties we have under consideration, then there are no large deposits of Bessemer ore yet known, outside of the Mesabi Range and the Chapin and Minnesota Iron Co.'s properties. In that case Bessemer ores will shortly appreciate in value, and we, with others, will have to pay the holders thereof a large advance on present prices.

An important point in making the venture in the Gogebic region and securing a large body of ore is the effect it will have upon the guaranty made us by the Rockefeller party, that our ore shall be as low as any other Mesabi ore at Lake Superior ports. The possession of a large body of ore in the Gogebic Range will strengthen our position in holding the Rockefeller people down to low freight rates from the Mesabi Range.

The three properties I propose to take up contain not only the largest body of ore in sight, but are practically the only mines, excepting a few extra low-phosphorus mines and the Chapin & Minnesota Iron Co. properties, that are this year, under their system of mining and expenses, producing ores at a profit. In addition to this, as showing their standing in the trade, they have been allotted, on the basis of last year's shipments, over 50 per cent of the Gogebic output and over 25 per cent of the total in a pool of 4,250,000 tons, comprising all the Bessemer ores (including Chapin) produced in the Northwest, excepting only ores from the Mesaba Range.

I am not ignoring the strong position we hold on the Mesaba Range. With two exceptions, we possess the only steam-shovel mines, and the low cost of this ore is extremely gratifying. More Mesaba ore can be used in our mixtures, but it is not a wise policy to quickly exhaust the rich quarry we have on the Mesaba Range, taking off rapidly the surface ore. Although we are mining it at present for less than 5 cents per ton for labor, we must look to the future, when we will have to go deeper, pump water, and lift the ore. We should rather prolong the period of cheap steam-shovel mining, take in the other range properties I suggest for mixture, and, by working one range against the other, keep down costs of freight. I desire to impress upon you the fact that if it had not been for our Rockefeller-Mesaba deal of last year, with the consequent demoralization in the trade caused by the publication thereof, it would not have been possible for us to now secure the other range properties I propose to acquire, either by lease or for any reasonable price. We simply knocked the price of ore from $4 down to, say, $2.50 per ton. Now let us take advantage of our action before a season of good times gives the ore prducers strength and opportunity to get together by combination.

I trust that when you read this letter and my reports you will not attribute the strong position I take to my usually optimistic nature. It is true that I generally like the view of the bright side of affairs, but these practical matters I have digested in a thoroughly judicial spirit, and my conclusions are the result of great thought and most thorough investigation. You do not hear of the many properties I have condemned and turned down as being not worthy of your consideration. I have selected, for the decision of my associates, only the very best. The Minnesota Iron Co. properties are out of the question; the bans have been published, and union with the Illinois Steel Co. is only a matter of time. All others, however, I have, in one shape or another, had before me. The Chapin is too high in phosphorous and held by too stiff a crowd. Other Menominee properties (the Aragon, for instance, that was sold the other day) too small and expensive. I have not recommended or tried to lead you into waste of money on explorations of virgin property. Mr. A. M. Byers told me that he, with Kimberly, had worked for years, spending over a million of dollars in sinking shafts through solid rock, hunting a lost vein of ore, on the Ludington mine, which adjoins the Chapin. Please recall that on the Mesaba Range I condemned poor properties, such as the Sauntry and others; that I stood strongly against the Mahoning, out of which they have great difficulty this year in mining any but non-Bessemer ores; and that I only brought before you for approval the magnificent properties on the Mesaba Range that we are now operating. Pardon me for mentioning the above. I only do it to impress upon you the fact that I have analyzed this question most thoroughly. I have given months of thought to these questions where others have scarcely given minutes. I know I am right, and trust you and your associates will give me opportunity to prove it. The future will show that all my predictions will come true to the letter.

Yours, etc., HENRY W. OLIVER.

This document was sent by special messenger to Mr. Frick, in London, and by him transmitted to Mr. Carnegie in Scotland. Mr. Carnegie again opposed the project. Thereupon Mr. Oliver dispatched the following cablegram:

[Telegram.]

THE CARNEGIE STEEL CO. (LTD.),
Pittsburgh, Pa., September 25, 1897.

To CARNEGIE, *Laggan:*

I am distressed at indications here that Norrie options expiring, on Monday, are to be refused. It would be a terrible mistake. The good times make it that I could not possibly secure these options again at 50 per cent advance. The Norrie mine controls the whole situation. They have sold over 1,000,000

tons this year. With the additional property we will get from the fee owners, we secure fifteen to twenty million tons of the ore that the Carnegie Co. are purchasing this year, 550,000 tons. I will guarantee, counting the surplus they have in their treasury, to return in profits every dollar we invest in two years. Do not allow my hard summer's work to go for naught?

HENRY W. OLIVER.

It will be seen from this that the Carnegies had just bought 550,000 tons of this very ore, which was yielding the mine owners $1 to $1.25 a ton profit. By instructions from Scotland they had made this purchase just at the critical moment that Mr. Oliver was negotiating for options on the shares of the Norrie mine, and his task was made doubly difficult by the fact. Before this the Norrie owners had sold only 150,000 tons, as against ten times that amount in previous years. Notwithstanding this embarrassing purchase, Mr. Oliver was able to secure options from about 400 stockholders, who resided in every part of the country, and, one might say, in every part of the world. This was the "hard summer's work" which was rendered futile by a word from Carnegie.

On receipt of Mr. Oliver's cablegram, however, Mr. Carnegie so far reconsidered his objections as to leave the decision to the chairman and board of managers in Pittsburgh; and these gentlemen promptly authorized Mr. Oliver to close the deal. This action was the pivotal point in the gathering together, by the Carnegie-Oliver interests, of the great ore properties which gave them their impregnable position in the iron industry of the country. On the organization of the United States Steel Co., the Carnegie-Oliver Co. owned two-thirds of the known northwestern supply of Bessemer ores—roughly 500,000,000 tons—which Mr. Schwab has since valued at $500,000,000. It would be difficult to find a parallel to this incident in any romance of American industrialism.

It is only fair to Mr. Carnegie to add that he afterwards so far modified his estimate of Mr. Oliver as to offer him an interest in the Carnegie Steel Co.

The great value of the gift which Andrew Carnegie thus reluctantly allowed Mr. Frick to accept for the company may be further illustrated. The first Mesaba mine secured by Mr. Oliver is of such character that 5,800 tons of ore have been mined and loaded into cars of one steam shovel in 10 hours; and the output for one month was 164,000 tons. This was the work of only eight men. Three such machines, made by the Bucyrus Co., of South Milwaukee, mined from its natural bed 915,000 tons of ore during the season of 1900, working day shift only. Some of the other great mines are of the same character. The method of mining is shown in the accompanying photographs. Five tons of ore are lifted by the machine each stroke, and five full-weight lifts will fill a car. A 25-ton car can be filled in two and a half minutes, which is at the rate of 600 tons an hour. * * *

Having thus provided an unfailing supply of the best Bessemer ores at the mere cost of mining them, Mr. Frick at once began to elaborate plans for their cheap and certain transportation to the furnaces. A contract with the Bessemer Steamship Co., a Rockefeller concern, insured the regular delivery of 1,200,000 tons a year at Lake Erie ports, and an agreement was simultaneously made with the Pennsylvania Railroad for the land haul of some 200 miles. But this condition of dependence was unsatisfactory, and Mr. Frick boldly talked of building his own railroad to the Lakes. This brought an offer from the president of the Pennsylvania Railroad for better facilities, and Mr. Frick proposed an arrangement under which the Carnegie Steel Co. should run its own ore trains from Lake Erie, equipped with its own locomotives and crew, over the Pennsylvania tracks. This plan was well received by the officials of the Pennsylvania Railroad, but before anything definite had been decided upon a telegram was received from Mr. Carnegie in Florida, asking that all negotiations be suspended until the arrival of his letter. When this came it was found that he had entered into an agreement with Mr. Samuel B. Dick, president of the Pittsburg, Shenango & Lake Erie Railroad to reorganize that company, which was on the verge of bankruptcy, and to build an extension from its terminus at Butler to a point on the Union Railroad at Bessemer.

This Pittsburgh, Shenango & Lake Erie Railroad had had an eventful history, involving receiverships, reorganizations, and consolidations, and at this time it had little more than a right of way and two streaks of rust, as the saying is. It had certain terminal facilities at Conneaut Harbor, however, and during the previous year (1895) a quarter of a million tons of ore had been handled there. The Government was dredging the harbor, and its facilities were capable of some improvement, though not to the extent expected when this deal was made. The harbor has frequently been inconveniently crowded.

"On July 25, 1896, the first contract was let for the extension to Pittsburgh, and simultaneously the work of renewing the old track was begun. One-hundred-pound rails were laid down, grades lowered, wooden trestles replaced with steel, and in other ways the road was so changed as practically to make it a new one. A maximum south-bound grade of 81 feet per mile was secured over the entire route, an achievement of no small difficulty in the hilly parts of western Pennsylvania. A steel bridge across the Allegheny two-thirds of a mile long was the most noteworthy engineering feature of this road; and the whole work of renewal and the building of 42 miles of new track occupied only 15 months. By October 4, 1897, ore trains consisting of 35 steel cars, each carrying 100,000 pounds, were running from the company's own docks on Lake Erie over the company's own line to Bessemer and there distributed over the company's Union Railroad to the blast furnaces at Braddock, Duquesne, and Pittsburgh. It was a long step in the progress toward self-sufficiency at which Mr. Frick had long been aiming; and it had cost nothing beyond an issue of bonds, which the volume of traffic furnished by the Carnegie Steel Co. itself made gilt edged.

The results of the operation of this road, now known as the Pittsburgh, Bessemer & Lake Erie, and its docking facilities at Conneaut, as set forth by Mr. T. J. Odell, its former vice president, are as follows:

"The lowest rate per ton per mile, the highest average length of revenue haul in proportion to its track mileage, the greatest density of tonnage in proportion to its freight-train mileage, the greatest average paying load, and the lowest ton-mile cost of any road on the American continent reporting to the Interstate Commerce Commission. The average paying load of all its freight trains, including three branches, and with but little back loading, was, for the year ending December 31, 1899, 777 tons. It is confidently expected, when the south and north bound tonnage is 70 per cent and 30 per cent, respectively, and the tonnage reaches 5,000,000 tons annually, as it promises, that the average paying load will be not less than 900 tons, or four and one-half times greater than the present average paying load of the country. The maximum weight of the paying load for the year was 1,580 net tons, with the average, as before stated, of 777 tons. Of the ore trains each earned on a 3½-mill rate per ton per mile (gross tons) $5.13 per train-mile. The road is laid with 100-pound rails and the track ballasted with furnace slag. The bridge will carry 6,600 pounds to the linear foot. The standard locomotive is the consolidation pattern, having cylinders 22 by 28 inches and weighing 170,000 pounds on the drivers alone. The ore equipment consists mostly of steel cars, weighing 17 tons and carrying 50 tons of ore. The company is having built a few of what will prove to be the heaviest locomotives in the world, having cylinders 23 by 32 inches and weighing 217,000 pounds on the drivers. With these locomotives the total weight of an ore train, including the locomotive and light weight of the cars, will be about 2,600 tons."

But it is not only in the operation of the road that greatest economy is obtained, but also in the transfer of the ore from the lake steamers to the trains. The steel company owns the entire harbor at Conneaut. Nine ships can be docked at the same time. Twenty-five thousand tons of all classes of freight can be handled every 10 hours. The most modern machinery is used for handling ore and coal. A 6,000-ton ship can be cleared in 14 hours, and in the same time from the moment the hatches are opened the ore can be at the furnaces at Pittsburgh. A new steam shovel was completed last winter, by which a train of 35 or 40 cars will be loaded with ore in two hours. A 40-ton car of coal can be unloaded and partly trimmed in the ship in 36 seconds. Most of the switching at Conneaut is done by the haulage system (a cable running between the rails at about 4 miles per hour). The operating officers believe that with this railroad the utmost limit of all that is possible in solving the problem of cheap transportation has been reached. Their achievement shows what remains to be done and can be done by the other railroads of this country in the same direction.

The only gap that now remained was that on the Lakes. To fill it the company should operate its own line of steamers. While the contract with the Bessemer Steamship Co. provided for the conveyance of 1,200,000 tons a year, the steel company was dependent upon the small fleet of ships owned by individuals to a greater extent than seemed desirable, and early in 1899 the Oliver Iron Mining Co. purchased the Lake Superior Iron Co.'s fleet of six vessels, each capable of carrying 3,000 tons, as well as its ore properties on the Marquette Range. Before taking over these steamers at the end of the year certain

changes in organization were made in conformity with the suggestions of Mr. Oliver, contained in the following letter to the board of managers of the Carnegie Steel Co.:

"Under our attorney's advice, taking in view the legal complications that might arise in a mining company being interested in navigations, we have settled that our venture in the purchase and building of vessels on the Great Lakes should be conducted under an organization distinct from the Oliver Iron Mining Co. We have taken out a charter and organized the Pittsburgh Steamship Co.

"The officers of the company, the board of directors, and the stock interests are identical with those of the Oliver Iron Mining Co.

"To finance the company I propose, first, a paid-up capital stock in cash of $1,000,000 and the issue of 5 per cent gold bonds, interest payable semiannually, of $4,000,000. The Union Trust Co. of Pittsburgh to be the trustee of a mortgage covering all the vessels of the fleet, and to issue to the purchasers of the bonds interim certificates for 80 per cent of the cost of the vessels on delivery to them of satisfactory bills of sale or chattel mortgages for each vessel as it is turned over by the seller or the builder of the vessel to the new company; that is to say, as fast as each vessel is delivered to the new company, the bondholders advance 80 per cent of its cost and the stockholders the remaining 20 per cent of its cost. On the completion of the fleet, as now projected, bonds in proper shape, reciting what vessels they cover, with proper requirements for insurance, etc., will be exchanged by the trust company for the interim certificates above recited. The cost of the vessels under contract (which is all we propose to acquire this season) aggregate about $2,900,000.

"Kindly advise me if the above plan is satisfactory to the Carnegie interests.

"Bonds to be payable as follows:

"Series A, 5 years	$1,000,000
"Series B, 10 years	1,500,000
"Series C, 15 years	1,500,000
"Total	4,000,000

In this way, on the very day of Mr. Frick's retirement from the chairmanship of the Carnegie Steel Co., the huge corporation became a complete industrial unit, owning everything it needed in its business, controlling every movement of its material, and in all its operations, from mining the crude ore to the shipment of the finished steel, paying no outsider a price.

From pages 277, 278, 279, 280, 281, 282, 283, 284, 285, 286, 288, 289, 290, 291, and 292:

At a meeting of the board of managers of the Carnegie Steel Co. (Ltd.), held at the general offices of the association, Carnegie Building, Pittsburgh, Pa., at 12.30 p. m. on Monday, January 16, 1899, there were present Messrs. Frick (chairman), Singer, Schwab, Peacock, Phipps, Clemson, and Lovejoy (secretary); also Messrs. George Lauder, James Gayley, and H. P. Bope. (Mr. Curry in Pasadena; Mr. Wightman in Florida.)

The minutes of the meeting of the board of managers held January 10 were read and, on motion, approved.

The following communication from the president of the board, under date of January 12, was read:

"As reported by Mr. Phipps last week, we have finally closed for the purchase of the Bethlehem plate mills, which purchase the board has already approved.

"The mills, as you are aware, comprise a slabbing mill of the latest design; a 128-inch plate mill, complete in every particular; and a 42-inch universal mill of the latest and best construction. There are no changes in all these mills we would suggest.

"We should have a capacity of 12,000 to 14,000 tons of plates out of these mills, besides some excess of slabs, which could be sold outside.

"It is estimated that the cost of putting these mills in operation—foundation, buildings, furnaces, etc.—will be approximately $500,000, and would like the board to authorize this expenditure."

The following communication from W. E. Corey, general superintendent Homestead Steel Works, to the president, under date of January 11, was read:

"The building of 10 new furnaces at open hearth No. 3 will cost about $80,000 per furnace, or a total of $800,000. This, of course, includes all cranes, tracks, grading, filling in, etc., and also a stripper for the stripping of large ingots for the new slabbing mill.

"Kindly authorize the expenditure of this money and oblige."

The following communication from the president to the board, under date of January 12, was read:

"The demand for open hearth, instead of Bessemer steel, is increasing each day. A careful calculation would indicate that 10 additional open-hearth furnaces are necessary for our Homestead Steel Works.

"Inclosed please find Mr. Corey's estimate and recommendation for same.

"We would propose making the furnaces identical in every particular with those now built, which have been very satisfactory.

"Would recommend that the board permit me to proceed with the erection of these furnaces at once. They can be completed within about five months."

Messrs. Phipps and Clemson moved the authorization of an appropriation of $1,300,000 in accordance with the recommendations of the president.

Mr. FRICK. That cost appears high.

Mr. SCHWAB. Mr. Corey admits that it is high, but does not want to get caught again with an insufficient appropriation. He will not waste money, and if all is not needed so much the better.

Mr. FRICK. We must have the furnaces anyway, and may as well appropriate the outside cost. These are large amounts, but the whole matter has been thoroughly discussed outside of the board meetings, and all appear satisfied.

Mr. SCHWAB. These furnaces will increase our capacity 30,000 tons of open-hearth ingots per month. This purchase renders it unnecessary to build the plate mill which was agreed upon, although no appropriation was authorized when we discussed the car works. There is no plant I know of so well equipped as this. It is the latest and best in plate mills.

Mr. LAUDER. It is the right thing to do.

The motion was adopted, the vote being unanimous, and all present concurring.

The following communication from W. E. Corey to the president, under date of December 30, was read:

"In line with my conversation with you concerning the changes in beam yard, beg to make the following report. In the first plan as proposed in my letter of November 18, it will necessitate the expenditure of $40,000, and would enable us to make an average delivery of 10 days' time on all beam and channel orders.

"Under this arrangement 30 per cent of all beams and channels would be cut from stock, which would increase the cost per ton on beams and channels shipped from Homestead 8 cents per ton.

"Now, in going over this matter the second time, it seems to me that it would not be a paying investment to spend $40,000 and increase the cost of production, if there is any other alternative.

"Now, if our customers could be satisfied with an average delivery of 15 days on all orders, I would recommend that nothing be done toward this expenditure for another year, or until it is decided to move the fitting shop.

"I would therefore ask that you authorize an expenditure in the beam yard of $15,000, to be expended as follows: $6,000 each for two 10-ton electric traveling cranes, one to be placed immediately outside the 40-inch mill at the roadway, and the other at No. 3 roadway to handle material from the small saw; $3,000 to be spent in moving small saw 40 feet due west from the present location, and making necessary change in tracks.

"This would enable us to make 15-day deliveries without increasing the cost of production.

"Kindly advise me at your earliest convenience what you think of this proposition."

Mr. SCHWAB. These are only additional cranes for the beam-yard equipment we have now. While we save nothing by the expenditure, we save in time of filling orders.

Mr. FRICK. Money spent in expediting delivery is well spent, and especially now when we expect so large a business.

Mr. SCHWAB. When this matter first came up in November, I was unwilling to recommend the expenditure of $40,000, and referred Mr. Corey's letter back to him. When we rebuild the fitting shop, we can spend the $40,000 to very much better advantage. I would recommend the expenditure of $15,000.

On motion (Peacock and Singer), the expenditure of $15,000, as recommended by the president, was authorized, the vote being unanimous.

The following letter from W. E. Corey to the president, under date of January 11, was read:

"Please find below an approximate estimate of expenditure for improvements at our Carrie furnaces, as recommended by Mr. G. K. Hamfeldt, superintendent:

"Furnace with new shell, downtake, and dust catcher, with linings, incline with top arrangement, hoisting engine, and one coke and limestone bin, with track for stock yard, complete	$136,000
Extension and relining of two stoves	18,000
One compound condensing blowing engine, 40 inches by 72 inches by 60 inches by 84 inches, with foundation, extension to blowing-engine house, with foundations and piping	46,000
Weise condenser, 3,600 horsepower, complete	18,000
Total	218,000

"The detailed plans for same have not as yet been completed, but as soon as completed I will arrange with Mr. Gayley to go over them with Mr. Hamfeldt.

"Kindly advise me if you will authorize the expenditure of this money."

Messrs. Phipps and Clemson moved the authorization of an expenditure of $218,000.

Mr. SCHWAB. That will put Carrie No 2 in practically the same shape as our other furnaces, and will make the furnace equal to "F" or "G." It is in this direction we must go in making improvements.

Mr. GAYLEY (in reply to the chairman). It should increase the product 100 tons per day.

Mr. SCHWAB. We have no place to use the surplus steam at Carrie, and it will not pay us to compound the engines there at present. We can compound them later on if it is found advantageous.

Mr. SINGER. This is a wise thing to do.

Mr. PEACOCK. We should put all our furnaces in good shape.

Mr. GAYLEY. I am satisfied we need to do this.

Mr. CLEMSON. It is a mistake to do anything else but keep our furnaces in the best possible condition.

Mr. LAUDER. I think it is the right thing to do.

Mr. PHIPPS. We all expected to do this when we bought the plant.

Mr. LOVEJOY. It is in line with our policy and should be done.

Mr. GAYLEY. The Carrie Furnace Co. intended to do a part of this work if they had not sold.

Mr. FRICK. It is a large amount, but to our willingness to spend large amounts in improvements we owe our success.

The motion was adopted, the vote being unanimous.

Mr. SCHWAB. At a meeting in New York of our principal partners and managers it was decided that the following changes and new interests should be made, commencing with January 1, 1899, subject to the approval of the board and of the shareholders:

It is proposed to give one-ninth per cent to each of the following: W. B. Dickson, A. C. Case, John McLeod, Charles W. Baker, and to give an increase of one-ninth per cent to James Gayley, one-sixth per cent to D. M. Clemson, one-ninth per cent to A. M. Moreland, one-ninth per cent to L. T. Brown, two-ninths per cent to J. E. Schwab.

On motion (Singer and Peacock) the following resolution was adopted:

Resolved, That F. T. F. Lovejoy, trustee, be, and is now hereby, directed, authorized, and empowered to transfer out of trust "N" certain capital of this association to the persons and in the amounts named as follows: To James Gayley, one-ninth per cent, or $27,777.78; to D. M. Clemson, one-sixth per cent, or $41,666.67; to A. M. Moreland, one-ninth per cent, or $27,777.78, at its book value at the close of business December 31, 1898; subject to all of the conditions of the "ironclad agreement," and subject also to confirmation at the next meeting of the shareholders; and

Resolved, That having so done, F. T. F. Lovejoy be released and discharged from any further accountability as to his trusteeship for the seven-eighteenths per cent of the capital of this association, the transfer of which is authorized hereby.

The vote being unanimous.

On motion (Singer and Peacock), the following resolution was adopted:

Resolved, That F. T. F. Lovejoy, trustee, be, and is now hereby, directed, authorized, and empowered to transfer out of trust "N" certain capital of this association to the trust accounts and in the amounts named as follows: To trust "W," for L. T. Brown, one-ninth per cent of 1 per cent, or $27,777.77; to

trust "AB," for J. E. Schwab, two-ninths per cent of 1 per cent, or $55,555.55; to trust "AE," for W. B. Dickson, one-ninth per cent of 1 per cent, or $27,777.78; to trust "AF," for A. C. Case, one-ninth per cent of 1 per cent, or $27,777.78; to trust "AG," for John McLeod, one-ninth per cent of 1 per cent, or $27,777.78; to trust "AH," for Charles W. Baker, one-ninth per cent of 1 per cent, or $27,777.78; the same having been sold to said persons at book value December 31, 1898; subject to all of the conditions of the "ironclad agreement," and subject also to confirmation at the next meeting of the shareholders.

The vote being unanimous.

Mr. SCHWAB. As the members of the board are aware, I go East to-night and sail for Southampton on Wednesday, expecting to be back here April 4. During my absence the plans for the new car works will proceed without any delay, and be ready with actual bids for all the machinery and other contract items by April 1, when an estimate of the cost will be given to the board and an appropriation asked for. No expenditure will be necessary meantime.

In reply to the chairman, I have not figured closely on the cost at all, but would say, in round figures, the works will cost from $750,000 to $1,000,000.

Mr. PEACOCK. I think while we are on the subject of car works it would be well to consider our present position with the new steel-car combination. They have already approached us on the subject of a contract, and would be willing to buy probably 1,000 tons of steel per day, provided we stay out of the steel-car business. I think, under a favorable contract, I would favor this, especially since they are reorganized and will be in good financial condition and safe to sell to.

Mr. SCHWAB. I do not think anything should prevent our going ahead with our car works.

Mr. CLEMSON. There is room for two, and they will have to come to us.

Mr. PHIPPS. I would favor going ahead.

Mr. LAUDER. It would bear some thought, but, on the whole, I think I would go ahead with the works.

Mr. SINGER. I think we should go ahead with our plans, but I am a little inclined to agree with Mr. Peacock. There is a great deal of detail connected with the car business, and we will probably make as much money if we sell the plates as if we turned the plates into cars and sold them.

Mr. GAYLEY. I would go ahead with the works.

Mr. CLEMSON. I would build the car works, and would also look into the steel-pipe business. I believe there is money in that.

Mr. LOVEJOY. I think we should go ahead with the works, believing we can sell both plates and cars, and, having the car works, we can compel Schoen-Fox to buy from us.

Mr. FRICK. Is our car as good as the Schoen or Fox car?

Mr. SCHWAB. I think it is better, but it is heavier. We expect to improve on it, and I believe we can make it as light as theirs and at the same time a better and stronger car.

Mr. FRICK. I am strongly in favor of going ahead. There will be room for both.

Mr. CLEMSON. We brought in some good gas wells during the latter part of December, and we are now in as good shape for gas as we were this time last year. I will guarantee a sufficient supply of gas for this year.

Mr. FRICK. That is very gratifying news.

At this point Mr. Clemson withdrew from the meeting, having been called as a witness in a case pending.

A letter from Andrew Carnegie to the president, under date of December 30, was read as follows:

"Several times I have been upon the point of writing you about settling with James C. Carter, the lawyer, here.

"We consulted him in regard to your claim against the Government for remission of fine imposed—for supplying defective armor plate. I suppose it is the general feeling that we had better not disturb that question, better just let it pass. If you find this to be so in the board, then I should like a note written to Mr. Carter, stating that we do not wish the case pursued any further, and to send us his bill. His address is No. 277 Lexington Avenue."

Mr. FRICK. Suppose Mr. Phipps should write to Mr. Carter in effect as follows:

"We have not yet decided whether or not we wish to abandon our claim, but should we decide to press it we would wish to retain him. Meantime, however, as the case has been hanging fire for some time, we would be glad to have a bill for his services to date, which we will pay."

That complies with Mr. Carnegie's wish, and at the same time does not close the matter absolutely.

This met with general approval, and, on motion, the matter was so decided upon.

Mr. FRICK. I would like to ask Mr. Peacock if he is selling much material to-day, and if he is getting advanced prices?

Mr. PEACOCK. I think the only increase in billets sold, shown in our statements during the last four weeks, has been where we have sliding contracts. We have to-day nothing to sell but structural material, on which we are getting good prices.

We have under consideration a contract with the American Tin Plate Co., of New Jersey, which has been agreed to subject to the action of the board.

The contract was read in full, the features thereof being:

"*Quantity.*—One hundred and twenty-five thousand gross tons of tin and black plates, bars (not including sheet bars), per year, for a period of five years, from July 1, 1899, and thereafter until after one year's written notice, which may be given by either party on or after July 1, 1903.

"The amount to be added to the price of pig iron for sheet bars shall be as follows:

Price when the price of pig iron per gross ton is—	
$8.99 or under	$5.45
$9 to $9.99	5.60
$10 to $10.99	5.75
$11 to $11.99	6.00
$12 to $13.99	6.25
$13 to $14.99	6.50
$13 to $14.99	6.75
$15 to $15.99	7.00
$16 or over	7.25

"Price to be fixed monthly and averaged for six months.

"*Payments.*—Cash on the 20th of each month.

"*Deliveries.*—Approximately 10,416 tons per month.

"Buyer may specify up to 10 per cent basic open hearth at $1.50 per ton advance.

"Buyers may not resell without first putting material through a process of manufacture.

"Sellers agree, so long as the buyers perform their part of this contract, 'they will not sell to any competitive person or company in the United States tin or black plate bars of the character covered by this contract,' and sellers agree 'not to enter into competition with the Carnegie Steel Co. (Ltd.) in any of the products which the Carnegie Steel Co. (Ltd.) manufactures during the life of this contract.'

"Buyers also agree, if their capacity be increased, sellers shall have the privilege of selling the same proportion of the new requirements.

"Any dispute as to price to be referred to A. H. Childs."

Mr. FRICK. Would it not be well to have all matters of dispute under this contract referred to an arbitrator?

Mr PEACOCK It might be, although our attorneys advise us our position is better if we do not agree to defer all matters to an arbitrator, since we would probably be compelled to appeal to the courts to sustain the award of an arbitrator, and we might as well fight out the whole thing in court.

Mr. FRICK. I do not agree. The decision of an arbitrator is usually binding and conclusive among reputable business concerns.

All spoke in favor of the making of this contract, and on motion (Schwab and Phipps) its execution was authorized, the vote being unanimous.

Mr. PEACOCK. This represents 25 per cent of their total requirements of last year.

Mr. SCHWAB. It is more than double what we sold last year.

Mr. PEACOCK. We have in process of negotiation a contract with the National Transit Co. for plates, but it is not quite in shape to report to the board. It also is a sliding scale, and on $10 pig gives up $1.15 for sheared plates.

Mr. SCHWAB (in reply to the chairman). That would give us $8 per ton profit.

On motion (Phipps and Schwab) the making of this contract was left with Mr. Peacock, with power to act.

Messrs Gayley and Clemson, appointed as a committee December 13, made the following report:

"The committee appointed to investigate the property of the Pittsburgh & Conneaut Dock Co., at Conneaut Harbor, Ohio, to determine if land was available for the erection of a blast-furnace plant would report as follows:

"'A number of plans have been prepared to determine the best location, and with such plans before us a personal inspection of the property was made during the past week. The plot selected is just east of the present coal-unloading slip. The new drawbridge crossing the creek to the new dock will permit the largest ore vessels to pas. At a point on the creek 300 feet east of the drawbridge the vessels can turn into a slip, which will have to be dredged, which allows ample room for stockyards and furnace plant on the east side. By this arrangement there is obtained on the western side a strip of ground 400 feet wide, which can be used by the dock company in further dock extensions; the length of such dock can be from 1,000 to 2,000 feet long, as found necessary to dredge. There is provided in this arrangement ample room for a furnace plant between the slip and the hillside, and lengthwise will be found room for a number of furnaces. The low ground extending along the railroad for some distance affords an excellent space for disposal of slag for many years, or the slag can just as readily be conveyed to the upper end of the new dock and dumped into the lake, and in this way providing for dock extensions. There is sufficient flat land adjoining the furnace location, of which the dock company owns part, which if filled with slag would be suitable for steel works and other manufactories.'

"The slip your company had in view for a furnace site comprised about 25 acres, with plenty of just as suitable property adjoining.

"The dock frontage at Conneaut for discharging ore is as follows:

	Feet.
Old dock	1,900
Direct unloading dock	1,200
New dock (under construction)	1,100
Total	4,200
New dock can be extended	1,100
Furnace dock as outlined	1,000
Making a total of	6,300

"and this can be increased by extensions into the lake and of the furnace slip. The above figures are for ore unloading alone and do not include the side of dock for coal or rail unloading.

"A furnace at Conneaut Harbor making 300 tons of iron per day would require per annum 100,000 net tons of coke and 40,000 gross tons of limestone."

Mr. FRICK. We will leave that report on the minutes for consideration and take up the matter at some future time.

Mr. GAYEY. We have made the following purchases of manganese ore:

Caucasian ore.—Everitt & Co., 10,000 tons, at 10¾ pence, shipment March to September; F. Haeberlin, 10,000 tons, at 10⅝ pence, shipment March to October; John Carr & Co., 6,000 tons, at 10¾ pence, shipment March to May.

Cuban ore.—We have purchased from the Ponupo Mining & Transportation Co. their product for this year up to 25,000 tons at 24 cents per unit at seaboard.

Mr. GAYLEY (in reply to the chairman). We have several old Caucasian ore contracts at lower prices than these, but find it difficult to get deliveries. Making these contracts, we will be able to get deliveries under both the old and new contracts. These prices on Caucasian ore are up about $1.50 per ton, while the Cuban contract has come down about $2 per ton. The average increase in the cost of ferromanganese this year will be $1.50 per ton.

Mr. PEACOCK. But we are getting from $4 to $5 per ton more for ferro than we did a year ago.

On motion (Schwab and Peacock), the purchases reported were approved, ratified, and confirmed.

Mr. GAYLEY. The operations at Conneaut Docks for the five days ending January 13 were as follows: Receipts, none; shipments, 11,359 tons. [In reply to the chairman:] Everything at the docks will be ready for next year's business.

Mr. FRICK. It would be well to bear in mind the necessity of getting the cars under contract with the Schoen Co. in time. Mr. Gayley might put a man on to look after this.

Mr. Bope, as assistant general sales agent, submitted the following report:

"Statement of sales of standard rails since Nov. 18, 1898.

	Sales.	Options (minimum).	Totals.
Carnegie	326,623	46,000	372,623
Illinois	342,713	36,000	378,713
Cambria	65,266	.....	65,266
Colorado	20,698	.....	20,698
Total	755,300	82,000	837,300

"All of our own sales above reported have been included in our report of obligations following, although formal contracts for only 197,000 tons have been executed.

"The statement given below compares our estimated obligations (for the classes of material specified) at the opening of business Friday, January 6, and January 13, 1899:

Material.	January 6.	January 13.	Difference.
Rails	564,110	556,541	[1] 7,569
Billets, blooms, sheet bars, etc	445,227	433,739	[1] 11,488
Structural and ship material	174,564	180,923	[2] 6,359
Axles and bars	38,110	39,742	[2] 1,632
Plates	41,693	46,245	[2] 4,552
Total	1,263,704	1,257,190	[1] 6,514

[1] Loss. [2] Gain.

"All in gross tons, based on our minimum obligations."

Mr. PHIPPS. As the members of the board are aware, we have been building a footbridge over the railroad at Duquesne, and are asked to sign a contract agreeing to keep it in good order.

On motion (Phipps and Schwab) the execution of such a contract was authorized, the vote being unanimous.

Mr. PHIPPS. We have divided the Fawcett land into lots, and a plan has been prepared showing 29 lots on each side of the boulevard. This plan should be adopted in order that it may be recorded in the courthouse.

On motion (Schwab and Peacock) the plan submitted was approved and adopted, the vote being unanimous.

Mr. PHIPPS. Collections have been coming in so freely that we have found it advisable to anticipate our ore payments up to and including those for March.

Mr. LAUDER. Referring to the question of lake freight on ores, I think we can transport much cheaper than it is being contracted for by building large barges and handling these by tugs in relays, running the business as a railroad would transport cars. The barges should hold, say, 10,000 tons; two barges per day during the shipping season, running regularly, would give us our supply, and would, I believe, although I have not figured on it in detail, effect a saving of 40 to 50 per cent in freight cost.

Mr. FRICK. In this connection I was told by W. L. Brown that they transported ore from Escanaba to South Chicago for 17 cents. That should be looked up by Mr. Gayley, and we should also bear Mr. Lauder's suggestion in mind.

Mr. SCHWAB. I think it practicable, but do not see where the great saving would come in.

Mr. GAYLEY. The barges suggested are only 3,000 tons larger than those now in use. The traffic is a little uncertain on the Lakes, and the tugs might have to lie over and lose time. That is what keeps the rates higher than they would be otherwise. The suggestion is worthy of investigation, and I will take it up.

Mr. Frick here made the statement concerning the reroganization of the company, and asked: "Whom will you name as the committee?"

On motion (Schwab and Singer), Messrs. Frick, Peacock, Phipps (L. C.), and Lovejoy were appointed as the committee in charge of the organization of the Carnegie Co. (Ltd.), their being no dissent.

Mr. FRICK. The committee will report progress to the board from time to time; meanwhile, all should consider this, and be prepared to make suggestions on any points that occur to them.

I may add that the question of buying and selling value of capital stock in the new company—that is, what will be paid to retiring partners, or what will be paid by new shareholders admitted—is having careful consideration, will be fixed on a fair basis, and will be set forth in an agreement similar to our present "ironclad agreement" to be signed when the new company takes possession.

On motion adjourned.

LOVEJOY, *Secretary.*

Approved at meeting held ——— ——.

———— ————,

Chairman Board of Managers.

Copy to A. C., New York; H. P. jr., Washington, D. C.; H. M. C., Pasadena, January 17, 1899.

In 1889 negotiations were entered into by Andrew Carnegie with certain English bankers and capitalists with a view of selling out the iron and steel enterprises with which he was connected. At that time British investors were absorbing American industrial stocks with astonishing avidity; and Carnegie, believing the zenith of prosperity had been reached in his own business, thought the time an opportune one to sell out to the English. The project was resisted by Mr. Phipps, who had sold seven-eighteenths of his interest the previous year; but he finally yielded to his partner's insistence and gave a reluctant consent to the sale of the properties.

So far as could be seen at the time, Carnegie's lack of faith in the future was justified. Three years before the profits of the several companies had amounted to nearly $3,000,000. In 1887 they aggregated close on three and a half millions. Then in 1888 they dropped to $1,941,555; and it seemed a prudent measure to slip out of the business on what looked like a passing book of 1889. The negotiations, however, had no satisfactory result; and Mr. Phipps, hearing of their failure, expressed his relief. Incidentally he gave expression to his opinion on the impropriety of selling out to a trust—an opinion that makes strange reading nowadays. Here is the beginning of the letter he wrote to Mr. Carnegie:

"GRAND UNION HOTEL,
"*Dresden, Saxony, November 1, 1889.*

"DEAR ANDREW: Few pleasures on a foreign trip are equal to a friendly letter from home like yours of the 18th.

"I am gratified that we are not to go out of business and especially to make room for a trust, which is by no means a creditable thing. As you say, the tariff would be repealed on rails, and rightly so.

"With Mr. Frick at the head I have no fear as to receiving a good return upon our capital. Being interested in manufacturing keeps us in touch of the world and its affairs instead of being on the shelf. Of course I am anxious that you should not be worried by the business—only pleasantly interested. * * *

"Yours, truly, "H. P., JR."

It was a very fortunate thing for Carnegie, Phipps, and all the partners that the project failed; for in 1889 the profits of the year amounted to $3,540,000, the largest up to that date in the history of the various enterprises, despite the fact that rails were down to their lowest point, $29.25. Next year's profit were $5,350,000. The effect of Mr. Frick's management was beginning to be seen. In 1891, owing to dwindling prices and, in large measure, to excessive cost of labor at Homestead, there was a falling off of a million dollars; and a still further reduction took place in 1892, the year of the strike. The profits this year were only $4,000,000. In 1893—panic year—a further reduction of a million dollars was recorded, and this marked the bottom. Thenceforward the annual balance sheets showed an ever increasing profit, regular and slow at first, then by extraordinary leaps and bounds. Here is the gratifying record:

Net profits of the Carnegie associations—Carnegie Bros. & Co. (Ltd.) (to 1892), Carnegie, Phipps & Co. (Ltd.) (to 1892), and the Carnegie Steel Co. (Ltd.) (from July, 1892).

1889	$3,540,000	1895	$5,000,000
1890	5,350,000	1896	6,000,000
1891	4,300,000	1897	7,000,000
1892	4,000,000	1898	11,500,000
1893	3,000,000	1899	21,000,000
1894	4,000,000	Plus $4,500,000 reinvested.	

These sums, added to those given on a previous page for the years 1875 to 1888, inclusive, bring the aggregate net profits of all the Carnegie associations to the impressive total of $93,391,005.41. In the year 1900—the last of its separate existence—the Carnegie Steel Co. made a profit of nearly $40,000,000, and a sum was taken from the contingency fund to bring it up to this even figure.

It is believed by the Carnegie officials, and with some show of reason, that this magnificent record was to a great extent made possible by the company's victory at Homestead. From that time on the firm profited by the heavy investments it had made in labor-saving machinery; and costs got so low that one year when the Carnegies made over $4,000,000 their chief competitor, the Illinois Steel Co., had upward of a million dollars loss. The following year the Carnegies made over five millions, while the Chicago company made only $360,000. By 1897 the cost of steel rails on cars at the Braddock mill was only $12 a ton.

From pages 296 and 297:

The increase between 1893 and 1894 amounted to almost as much as the entire output of the works in 1888, and exceeded it the following year.

During these years and those immediately following them the growth of the several works was nothing less than phenomenal. No great expansion was possible at the older establishments, such as the Union Iron Mills and the Lucy furnaces; but at Braddock, Homestead, and Duquesne additions were made every year greater than the entire plant had been a short time before. At Homestead one set of open-hearth furnaces was rapidly added after another and new mills erected to finish the increased output of steel. In one case only six days intervened between the turning of the first sod and the casting of an ingot on the same spot. The two Carrie furnaces, just across the river, were bought by Mr. Frick with his usual issue of bonds and the bonds liquidated out of profits. Later two other furnaces were added; and these two great stacks have broken the world's record for yearly tonnage. At Duquesne the same nervous activity was displayed. Four huge blast furnaces were built to supply the metal required by the extensive open-hearth plant that soon supplemented the two Bessemer converters which Mr. Frick found there when he bought the works. At the Edgar Thompson works almost every year witnessed an addition to its great battery of blast furnaces until Kloman's little Escanaba stack was but as a single letter in half the alphabet. Here, expressed in gross tons of steel ingots made, is the great record of the growth of the combined business of these plants under the management of Henry C. Frick:

	Tons.		Tons.
1888	332,111	1894	1,115,466
1889	536,838	1895	1,464,032
1890	660,071	1896	1,375,249
1891	797,286	1897	1,686,377
1892	877,602	1898	2,171,226
1893	863,027	1899	2,663,412

The import of these statistics is seen by a comparison. In 1885 Great Britain led the world in the production of steel. Her total output for that year was 695,000 tons less than the product of the Carnegie Steel Co. in 1889.

From pages 299–315:

Early in January, 1899—to be specific, on Thursday, the 5th of that month—a meeting was held at the house of Andrew Carnegie, in New York, attended by Messrs. Hy. Phipps, Frick, Schwab, Lovejoy, Peacock, and Lauder, for the dis-

cussion of two questions. The first was the price that should be named for the properties of the Carnegie Steel Co. and the H. C. Frick Coke Co. in response to certain overtures to purchase which had been made by a syndicate of New York and Chicago capitalists. The second question was whether two companies should be consolidated in case of a failure to sell them, and on what terms. Both matters were carefully considered, and a decision to sell having been reached, the price of $250,000,000 was fixed upon for the steel company's stock, "carrying with it all that is on its books," including the shares in the coke company. Payment was to be made one-half in cash and one-half in 50-year 5 per cent gold bonds.

When these terms were laid before the syndicate, they were rejected. While the members did not say so, they had evidently expected to make a partial payment in stock.

A consolidation of the coke and steel business was then decided upon, and on January 14 Andrew Carnegie wrote his wishes to his cousin, George Lauder, as follows:

"Mr. Rodgers, Standard Oil and Federal, said truly, 'Too big a dog to wag so small a tail.' Now, H. C. F. and I talked over the matter. He will proceed to get plan, new charter, bonds, etc., as proposed.

"I wish you and Peacock and Lawrence, Clemson, Lovejoy, Gayley, etc., to decide whether you wish to buy the other Frick Coke Co. stocks at $35,000,000, which Frick now wants, or prefer to let things stand as they are with the present fixed rate on coke.

"The Frick Co. price was $30,000,000, if $75,000,000 mortgage bonds only made by C. S. Co., and you may prefer to do this, or might make the mortgage $100,000,000 and only issue $75,000,000 now and provide only the other issue for new property to be acquired, which would be the same thing practically as the $75,000,000 mortgage.

"I am just as willing to keep my Frick Co. stock as to sell it to C. S. Co., and I suppose H. C. F. is. He can make it pay us more than the interest on the $35,000,000.

"You should consult all the managers, including Singer, and let each state frankly his preference. Also ask Schwab, if he has not gone; if he has, I will see him here.

"It is a matter for all of you to decide, not for me. As I told you, C. S. Co. paying in bonds makes it easy payments—no cash—which is different from heavy yearly payments to make. Personally, am glad to have this year to ourselves to show what we can do. If we wish to sell out, believe me, we can do so ourselves for more than $250,000,000."

The reference to the proposed purchase of "the other Frick Coke Co. stocks at $35,000,000" is misleading. The price was to include all the stock of the coke company, as is shown by the Frick plan to which Mr. Carnegie refers. The clause relating to this reads:

"The (projected) Carnegie Co. (Ltd.) shall purchase all the property and business of the H. C. Frick Coke Co., the Youghiogheny Northern Railway Co., Youghiogheny Water Co., Mount Pleasant Water Co., Trotter Water Co., and the Union Supply Co. (Ltd.), subject to all their debts, obligations, and engagements, or all of the capital stock of the said companies as shall in the consummation of the general purpose of this agreement be subsequently deemed most desirable by the committee hereinafter designated, for the sum of $35,000,000, to be paid as hereinafter stated."

In other words, the entire business of the Frick Co. and all its dependencies was offered at $35,000,000. This is exactly half the price paid for it a year later in settlement of the famous litigation.

Mr. Frick's plan, thus referred to, of a company with a capital of $60,000,000 and a bond issue of $100,000,000, was not acceptable to Mr. Carnegie, who drew up a prospectus in substitution of it, and sent it with the following letter to his colleagues in Pittbsurgh. The phraseology of these documents is not very clear, but in the prospectus the retirement of Mr. Frick is distinctly provided for:

"We (the Carnegie Steel Co. (Ltd.) and the H. C. Frick Coke Co.) (shall) make this year, under the lowest prices on record, say, close to $15,000,000.

"We had ony six months of Carrie blast furnaces; not six months' work of the big new Blooming mill; no armor deliveries, except for three months; a loss of nearly $1,000,000 profit.

"Had these been running as now, our net would have been beyond $15,000,000.

"For 1899:

"We, with half product, sold 1,200,000 tons on our books at higher prices of at least $1 deliveries	$1,200,000
"We have of armor—going to work for years ahead—another	1,000,000
"Carrie blast furnaces; the Blooming mill all the year, another	500,000
"If we get $1 more pull on the remaining 1,200,000 tons	1,200,000
	"3,900,000

"Our increased product of furnaces and mills give us a big increase, but there is a gain of	4,000,000
"Which might easily be $5,000,000.	
"Frick coke is now making at the rate of $1,000,000 more per year; even better prospects	1,000,000
	"5,000,000

"The light-rail mill begins, say, July 1; our new mines this year will increase profits there; our big new Universal mill goes into operation, say, May 1.

"Mr. Frick's estimate of	$15,000,000
"Frick and Superior mines over	5,000,000
"Net for 1899	20,000,000

"Just as likely to be above as below, I think more so, but say $20,000,000.

"In 1900:

"We had the big plate mill, steel car shops, new axle plant, car-wheel foundry, all arranged for—came in early in 1899—also two new blast furnaces at Carrie.

"For 1900, therefore, present conditions are good for $25,000,000. These conditions are very low. Prices liable to advance $2 to $5 per ton.

"The first would give us $5,000,000 more, 30,000,000.

"The second, $12,500,000 more, 37,500,000.

"I am certain that in two years hence we shall be on the basis of $25,000,000 net yearly, even at low prices.

"We have to supply the world—note last week's British advances—less ore this year and last from foreign points; great scarcity; prices wild; coke put to 15/6 (fifteen shillings and sixpence) at works, best grade; bad to get at that; near $3.75 per ton and scarce. Impossible to increase supply of either coke or ore.

"Since we reach Atlantic ports at $1 per ton we have the trade of the world.

"I favor holding on for two or three years; no question but we can sell our property at $400,000,000.

"200,000,000 bonds at 5 per cent	$10,000,000
"200,000,000 stock at 6 per cent	12,000,000
	22,000,000
Surplus	3,000,000

"We shall beat this—why then not wait. If you wish to sell now, then here is the plan.

"A. G."

"PROSPECTUS.

"THE CARNEGIE STEEL CO. (LTD.) AND THE H. C. FRICK COKE CO."

In pursuance of a decision of long standing, the four principal owners of the Carnegie Steel Co. (Ltd.) and the H. C. Frick Coke Co. (Messrs. Carnegie, Phipps, Frick, and Lauder) now retire from active business. To enable them to do so, and with the approval of all the younger partners, the partnership has been changed to a corporation. Capital, $300,000,000.

"One-half, $150,000,000 gold mortgage bonds.

"Preferred stock, 6 per cent, $75,000,000.

"Common stock, $75,000,000.

"All the bonds and preferred stock will be taken payment by the four outgoing partners.

"Part of the common stock will be held by the present younger partners; part is now offered to the public.

"Applications from Pittsburgh and western Pennsylvania, especially in manufacturers of iron and steel, will be given preference, the desire being to enlist as many experienced business men at home as possible.

"All the present partners agree to continue in the service for five years. Messrs. Carnegie, Phipps, Frick, and Lauder also agree to remain for that period in their present positions as consulting partners."

The partners have agreed to make good any deficiency in the net earnings, should such occur during said five years, in the amount necessary to pay interest on bonds and upon preferred stock, and 6 per cent upon common stock.

"To meet this liability there has been deposited with * * * Trust Co. $20,000,000 of bonds, contributed pro rata by the partners.

"The present earnings of the companies exceed the sum required for the payment stated and leaves a satisfactory surplus for contingencies. Additional works now in progress, which the demand of the ever-growing business required, will add to the earnings. The property of the new company embraces all the property of the two former companies; everything is included—real estate, railroads, coke lands (38,000 acres unmined), mills, furnaces, houses, offices, water rights, mines, and everything of every description.

"The debts of the company including all mortgage bonds, etc., are more than covered by the quick assets—the stock of material and the bills receivable and the cash on hand. The company starts with * * * working capital.

"(Signatures.)"

This prospectus is true; nothing kept back.

These different plans of consolidation and reorganization were still under consideration when, toward the end of March, overtures were made by ex-Judge W. H. Moore, of Chicago, for the purchase of the Carnegie-Frick properties, with the view of combining them. This time an effort was made to get a price on Andrew Carnegie's individual holdings of stock in the two companies, carrying, as they did, control; but, for the sake of appearances, Mr. Carnegie refused to deal with outside parties, and stipulated that the negotiations should be conducted in the names of his principal partners, Phipps and Frick. Accordingly these gentlemen joined the syndicate, with the understanding that Moore and his friends should finance the entire scheme.

Carnegie demanded a million dollars for a 90 days' option on his entire interests at a price of $157,950,000, and he afterwards raised this bonus to $1,170,000. The increase was met by Messrs. Phipps and Frick, each contributing $85,000. Carnegie agreeing to return these sums to them later. The other members of the steel and coke companies required no bonus for an option on their shares except the nominal sum of $1. These agreements were signed on April 24.

If the sale had been consummated it would have been on the basis of $250,000,000 "for the entire ownership of first party (Andrew Carnegie) and associate owners and interests in all the properties and assets of the Carnegie Steel Co. (Ltd.), except its holdings in the stock of the H. C. Frick Coke Co. and allied interests, namely, about 30 per cent of the whole of the said H. C. Frick Coke Co., in which 30 per cent in said H. C. Frick Coke Co. interests the said second parties (H. C. Frick and Henry Phipps, jr.) may take first party's interests on the basis of $70,000,000 for the whole of the said H. C. Frick Coke Co. properties and allied interests." And "as to the first party's individual holdings of stock in the H. C. Frick Coke Co. and allied interests, this shall be upon the basis of $70,000,000 for the entire property and assets of the H. C. Frick Co., of which stock the holdings of the said first party is about 25 per cent of the whole."

To quote still further from the original option, "the first party agrees to take as part payment for his interests as above $100,000,000 in 5 per cent, 50-year gold bonds, to be executed by such individual corporation or limited partnership association, as may be designated by the second parties, or their assigns, which bonds shall be secured by a mortgage upon all the real estate of the Carnegie Steel Co. (Ltd.), and to be a first lien thereon except so far as the same shall be now encumbered, and which shall cover all of the stocks, interests, and securities covered by this option.

* * * "The remainder of the consideration for the sale of the interests hereby optioned is to be in cash."

In this way Carnegie would have been so secured that he would virtually have had a first mortgage on all the partnership assets, thus gaining a preference over all his partners.

An instrument of like tenor and purport was signed by other members of the Carnegie-Frick companies, without any forfeitable bonus.

At the time this option was bought the money market was in such condition that no difficulty was anticipated by Judge Moore in raising the necessary funds to carry out his plans, huge as these were. He represented that he would have the cooperation of the National City and the First National Banks, of New York. The death of Roswell P. Flower, however, and the forced liquidation of the many industrial securities that he had been supporting, brought on a panic that was as disastrous as it was unexpected. Occupied in protecting existing obligations, bankers and capitalists had little disposition to engage in fresh ventures; and realizing the impossibility of safely launching a great enterprise in such troubled waters, Messrs. Frick and Phipps went to Scotland to try to get an extension of their option. At Skibo Castle Mr. Carnegie refused to extend the option, and the negotiations came to an abrupt end.

An interesting document was drawn up at this time which is worth including here, presenting as it does, at a glance, the imposing magnitude of the business whose growth we have traced from little Kloman forge in the basement at Girty's Run. It is a draft of a prospectus prepared by the Moore Syndicate, but never published. It marks the zenith of the Carnegie Steel Co.'s prosperity. Supplementing it is a letter from Mr. C. M. Schwab, of considerable interest.

PROSPECTUS.

"A limited amount of the stock of the Carnegie Steel Co. is now offered to the public on the following basis:

"The corporation which it is planned to form, with the name Carnegie Steel Co., will have, through a charter to be obtained under the laws of Pennsylvania, appropriate powers for the acquiring, producing, manufacturing, and dealing in steel, iron, ore, coal, and coke, and all things made of steel or iron, with all other powers deemed convenient, and will have an authorized capital of $250,000,000, divided into 2,500,000 shares of the par value of $100 each.

"Each subscriber will agree to take and pay for the number of shares for which he may subscribe, or such smaller proportionate number as may be allotted to him in the event of oversubscription, of the full-paid stock.

"The price is to be $100 in cash for each share of stock, and is to be paid into such depository as may be designated by the managers in control of the subscription lists, within 10 days after notice calling for such payment shall be delivered or mailed to the subscriber; but $10 out of every $100 of subscription may be made payable immediately on allotment, if so stated in the notice thereof. If the stock certificates can not be delivered when payments are completed, receipts will be issued calling for the stock when ready.

"The corporation is to be vested with $15,000 000 in cash and also with the cash and other available assets of the Carnegie Steel Co. (Ltd.) and the H. C. Frick Coke Co., and subject to a bonded debt of $100,000,000 in 50-year 5 per cent gold bonds, with the properties of the Carnegie Steel Co. (Ltd.) and the H. C. Frick Coke Co., which include the following:

"The Edgar Thomson Works, at Bessemer, Pa., including: Edgar Thomson Blast Furnaces, Edgar Thomson Foundry, Edgar Thomson Steel Works.

"The Duquesne Works, at Duquesne, Pa., including: Duquesne Blast Furnace, Duquesne Steel Works.

"The Homestead Steel Works, at Munhall, Pa., including: Bessemer steel department, open hearth steel department, finishing mills, armor plate department.

"The Carrie Blast Furnaces, at Rankin, Pa.

"The Lucy Blast Furnaces, in Pittsburgh, Pa.

"The Keystone Bridge Works, in Pittsburgh, Pa.

"The Upper Union Mills, in Pittsburgh, Pa.

"The Lower Union Mills, in Pittsburgh, Pa.

"The H. C. Frick Coke Co.'s coal and coke properties, in Westmoreland and Fayette Counties, Pa., including: About 40,000 acres of unmined coal, 20,000 acres of surface lands, 11,000 coke ovens, 2,500 railroad cars, 3,500 dwellings.

"The Larimer Coke Works, at Larimer, Pa.

"The Youghiogheny Coke Works, at Douglas, Pa.

"All the capital stock of the following companies: The Union Railroad Co., the Slackwater Railroad Co., the Youghiogheny Northern Railway Co., the Carnegie Natural Gas Co., the Youghiogheny Water Co., the Mount Pleasant Water Co., the Trotter Water Co., the Pittsburgh & Conneaut Dock Co.

"Over one-half of the capital stock of the Pittsburgh, Bessemer & Lake Erie Railroad Co.

"Forty-three and six-tenths per cent of the capital stock of the Pennsylvania & Lake Erie Dock Co.

"One-fourth of the capital stock of the New York, Pennsylvania & Ohio Dock Co.

"Five-sixths of the capital stock of the Oliver Iron Mining Co., owning:

"All the stock of the Metropolitan Iron & Land Co.

"All the stock of the Pioneer Iron Co.

"Over 68 per cent of the stock of the Lake Superior Iron Co.

"Over 98 per cent of the stock of the Security Land & Exploration Co.

"Other ore properties in negotiation, which will be included if acquired.

"One-half of the capital stock of the Pewabic Co.

"Three-fourths of the capital stock of the Pittsburgh Limestone Co. (Ltd.).

"Other interests in ore mines, transportation companies, dock companies, valuable patents, and companies owning patents, etc.

"These furnaces, steel works, coke works, and other properties are in full operation, their latest complete month's product being as follows:

Blast furnaces.

Names.	Stacks.	Product (gross tons).	
		March, 1899.	April, 1899.
Edgar Thomson furnaces	9	90,585	88,937
Duquesne furnaces	4	70,261	63,012
Carrie furnaces	2	18,935	19,447
Lucy furnaces	2	6,031	9,100
Total	17	185,812	180,496

Steel works.

Names.	Product (gross tons).	
	March, 1899.	April, 1899.
BESSEMER STEEL.		
Edgar Thomson Steel Works	66,427	62,381
Duquesne Steel Works	53,189	48,849
Homestead Steel Works	31,282	30,219
Total	150,898	141,449
OPEN-HEARTH STEEL.		
Homestead Steel Works	90,088	70,714
Total steel ingots	240,986	212,163

Rolling mills.

Names.	[illegible]	[illegible]	[illegible]
Edgar Thompson Steel Works	[illegible]	[illegible]	[illegible]
Duquesne Steel Works	[illegible]	[illegible]	[illegible]
Do	[illegible]	[illegible]	[illegible]
Do	[illegible]	[illegible]	[illegible]
Homestead Steel Works	[illegible]	[illegible]	[illegible]
Do	[illegible]	[illegible]	[illegible]
Do	[illegible]	[illegible]	[illegible]
Upper Union Mills	[illegible]	[illegible]	[illegible]
Do	[illegible]	[illegible]	[illegible]
Lower Union Mills	[illegible]	[illegible]	[illegible]
Do	[illegible]	[illegible]	[illegible]

[illegible]

Names.	[illegible] total.
	[illegible]
H.C. Frick Coke Co.	[illegible]
Larimer Coke Works	[illegible]
Youghiogheny Coke Works	[illegible]
Total coke	[illegible]

[illegible]

Names.	[illegible] (tons)	
	[illegible]	April, [illegible]
Edgar Thomson Foundry	[illegible]	[illegible]
Duquesne Steel Works	[illegible]	[illegible]
Homestead Steel Works	[illegible]	[illegible]
Do	[illegible]	[illegible]
Do	[illegible]	[illegible]
Do	[illegible]	[illegible]
Do	[illegible]	[illegible]
Upper Union Mills	[illegible]	[illegible]
Do	[illegible]	[illegible]
Lower Union Mills	[illegible]	[illegible]
Do	[illegible]	[illegible]
Do	[illegible]	[illegible]
Keystone Bridge Works	[illegible]	[illegible]
Do	[illegible]	[illegible]
Do	[illegible]	[illegible]

"As has been the fixed p[illegible] 20 years [illegible] improvements, [illegible] gines are bei[illegible] ces, which [illegible] n open-he[illegible] a 42-inch [illegible] d will be [illegible] ots 250 [illegible] axle wo[illegible] oted by N[illegible] m. Many [illegible] ensing p[illegible] "The pr[illegible] ome of p[illegible] of steel [illegible]

"The improvements now approaching completion will increase the output to the annual rate of 2,375,000 gross tons of pig iron, spiegeleisen, and ferromanganese, and 3,150,000 gross tons of steel ingots, with sufficient finishing capacity to turn this steel into rails, billets, structural shapes, plates, railroad forgings, and other merchantable forms.

"The net earnings of the business which will be transferred to the Carnegie Steel Co. were: For March, 1899, $1,652,038.75; for April, $1,888,227.72.

"Owing to the magnitude of the business and the immense tonnage of the various products, it is necessary that long-time contracts be made far in advance of the time of delivery. The result is that present shipments are at prices far below present rates, the rates at which contracts are being made for future delivery. Had current prices been obtained for the shipments during these two months, the net earnings would have been for March, 1899, $3,182.574.95; for April, 1899, $4,325.922.78; and with present market prices and the increased product resulting from the improvements named, an average single month's net profit will largely exceed the above, justifying the expectation that the Carnegie Steel Co. will pay annually, under almost any condition of business:

5 per cent on $100,000,000 bonds	$5,000,000
And at least 6 per cent on $250,000,000 stock	15,000,000
	20,000,000

"and leave an ample surplus for extra dividends as well as for other improvements and additions, which will still further increase the net earnings and the rate of dividends on the stock, besides providing a fund for retiring the bonds at maturity. The Carnegie Steel Co. has been, is, and will be in an absolutely independent position, owning the sources of supply—ore, coal, coke, limestone, and natural gas; the transportation lines for bringig the raw materials to the works; the docks for hadling ore; the coke works, blast furnaces, steel works, and finishing mills, each advancing the product to a higher grade, until it is ready for the markets of the world, with every intermediate profit saved for the benefit of the stockholders.

"The efficient organization which had brought the 'Carnegie' associations to their present unassailable position will remain intact. Nearly all of the former shareholders in the Carnegie Steel Co. (Ltd.) and the H. C. Frick Coke Co., all of whom were actively engaged in the business, have taken stock in the 'Carnegie Steel Co.,' and many other officers and employees, superintendents, foremen, heads of departments, sales agents, workmen, and clerks, have subscribed for stock in the new company, demonstrating their faith in its future and insuring the same bold yet conservative management which has rendered possible such an aggregation of capital as this; making large profits, yet earning them; controlling the market, yet never abusing its power; encouraging the wider use of steel by the reductions made in its cost, yet paying the highest wages in the world. Such has been the past, such is the present, and such will be the future of the Carnegie Steel Co."

PITTSBURGH, PA., *May 15, 1899.*

MY DEAR MR. FRICK: You ask me to give my views as to the probable future earnings of the Carnegie interests, and as to the proposed reorganization on a basis of $100,000,000 bonds, $250,000,000 preferred stock, and $275,000,000 common stock.

Permit me to say that commencing in 1879 as engineer constructing the works, 10 years as general superintendent of our principal works, and over 2 years as president, I feel that I know the properties and their possibilities as well, or better, than anyone in or out of the concern.

While we have been highly successful in the past, as everyone knows, I believe we are only now getting in shape to be truly successful and truly profitable. Our April profit-and-loss sheet shows earnings slightly over $1,500,000, with rails netting us only $17.50 and billets $16. Lowest prices we ever had on an average were $16.50 for rails and $14.50 for billets, so you see we have reaped very little of the advantages of increased prices. With prices anywhere near to-day's selling prices we would easily make over $3,000,000 per month, and then our new works, to be started in two months, will, I estimate on present prices, bring us an additional profit of $600,000 per month, or a total of $3,600,000 per month.

Following this page (p. 2617) is inserted balance sheet of the Carnegie Steel Co. (Ltd.), March 1, 1900.

Balance sheet, Mar. 1, 1900, Carnegie Steel Co. (Ltd.).

Assets:			
Cash—			
Treasury		$1,287,437.66	
Works		19,283.43	
Sale agencies		25,302.50	
			$1,332,023.59
Bills receivable			7,174,804.02
Mortgages receivable, employees			239,845.44
Accounts receivable—			
Current		16,381,884.06	
Securities		517,324.80	
			16,899,208.86
Stocks—			
Finished product		2,755,203.92	
Materials for use		7,087,964.76	
Ore at Lake ports		1,952,212.31	
Ore at mines		16,470.00	
			11,811,850.99
Available assets			37,457,732.90
Works and properties—			
Edgar Thomson Works	$10,429,594.67		
Duquesne Steel Works	2,333,406.35		
Duquesne Furnaces	5,626,211.91		
Homestead Steel Works	16,644,201.84		
Carrie Furnaces	1,079,588.69		
Howard Axle Works	717,476.87		
Lucy Furnace	1,251,869.99		
Keystone Bridge Works	718,160.11		
Upper Union Mills	1,000,000.00		
Lower Union Mills	700,000.00		
Larimer Coke Works	200,000.00		
Youghiogheny Coke Works	160,000.00		
City farm lots	960,664.50		
Verona land	40,000.00		
Liberty farm	225,000.00		
Oliver land	310,313.81		
Fawcett land	25.00		
		42,396,513.74	
1900 improvements—			
Edgar Thomson Furnaces	50,489.13		
Edgar Thomson Steel Works	31,441.69		
Edgar Thomson Foundry	10.50		
Duquesne Furnace	13,324.48		
Duquesne Steel Works	304,635.24		
Homestead Steel Works	240,666.98		
Carrie Furnaces	204,070.56		
Howard Axle Works	102,542.90		
Lucy Furnaces	3,415.57		
Keystone Bridge Works	1,663.18		
Upper Union Mills	6,537.12		
Lower Union Mills	--------		
		958,797.35	
Stocks and bonds, investments		14,940,405.50	
			58,295,716.59

Assets—Continued.			
Undivided capital		$77,710.72	
Due from partners		5,585,642.22	
			$5,663,352.94
Total assets			101,416,802.43
Liabilities:			
Mortgages payable—			
Edgar Thomson	209,945.00		
Duquesne Steel Works	995,000.00		
Duquesne Furnaces	200,000.00		
Homestead Steel Works	103,250.00		
Carrie Furnaces	600,000.00		
Howard Axle Works	273,275.85		
Keystone Bridge Works	50,000.00		
Liberty Farm	150,000.00		
Oliver Land	153,000.00		
		2,734,470.85	
Bills payable—			
Current	4,360,174.73		
Stewart	375,000.00		
Borntraeger	271,423.56		
		5,006,598.29	
Accounts payable—			
Current	7,469,650.44		
Ore	240,130.21		
		2,709,780.65	
Special deposits		3,776,276.27	
Liabilities payable		14,227,126.06	
Special funds—			
Contingent fund	557,143.50		
Contingent, special	711,810.00		
Relining fund	211,328.85		
Coal extinguishment fund	15,822.45		
		1,496,104.80	
Due to partners		4,113,657.38	
Surplus	56,579,914.19		
Capital	25,000,000.00		
		81,579,914.19	
			101,416,802.43

As to the future, even on low prices, I am most sanguine. I know positively that England can not produce pig iron at actual cost for less than $11.50 per ton, even allowing no profit on raw materials, and can not put pig iron into a rail with their most efficient works for less than $7.50 per ton. This would make rails at less cost to them—$19. We can sell at this price and ship abroad so as to net us $16 at works for foreign business—nearly as good as home business has been. What is true of rails is equally true of other steel products. As a result of this we are going to control the steel business of the world.

You know we can make rails for less than $12 per ton, leaving a nice margin on foreign business. Besides this, foreign costs are going to increase year by year, because they have not the raw materials, while ours is going to decrease. The result of all this is that we will be able to sell our surplus abroad, run our works full all the time, and get the best practice and costs in this way.

As to the works, any competitor will tell you that we are far ahead of any one; and if the plans which we have for the future are carried out we will be further ahead than ever. I have no fears for the earnings in the future. I believe they will exceed any estimate we have made, provided, however, that the same methods of organization and operation as now exist are fully carried out in the future.

It must not be run as other concerns are run, but as it is now conducted. This is most important. I believe the earnings will fully justify the capitaliza-

tion, and as a proof of my belief in this I am quite willing to take every dollar I own in the stock of the new concern on the basis proposed.

Very truly, yours,

C. M. SCHWAB, *President.*

Mr. H. C. FRICK, *Chairman.*

The third attempt to sell the Carnegie properties to the public having thus failed, the partners return to their schemes of consolidation and reorganization. This time Mr. Frick and the junior members took up the task, and they made elaborate plans for a new company with a capital of $250,000,000 and no bonds. This company was "to purchase from the Carnegie Co. (Ltd.), for $195,312,500, all its properties, real, personal, and mixed, excepting its holdings in the stocks of the H. C. Frick Coke Co." * * * and "from the H. C. Frick Coke Co. and its subsidiary companies named above, for $54,687,500, all their properties, real, personal, and mixed; the total consideration, $250,000,000, to be paid in installments as the stock subscriptions became due." Provision was made for "Andrew Carnegie to loan to each 'debtor partner' an amount sufficient to enable him to pay his indebtedness to either selling company." "All the stock" was to be "placed in a trust for 10 years, during which time no stock shall be sold excepting" from one owner to another, or by authorization of a three-fourths vote of stock in value and stockholders in number, or in the event of death of any member. This plan, representing the "unanimous views of every subscriber hereto, after full discussions of all suggestions had at meetings held September 11, 19, and 25," was commended to "the favorable consideration of the senior members." "We would not favor any plan that would contemplate bonding the property," they concluded. Ten signatures followed.

Of course nothing came of it. It is surprising that anything should have been expected of a plan that did not "contemplate bonding the property." Andrew Carnegie had placed himself on record with sufficient emphasis to leave no doubt in any reasonable mind as to the kind of security he wanted. So this plan joined the other liquid ideas that the corporate mind had secreted during the preceding years.

From pages 354 and 355:

PITTSBURGH, PA., *March 30, 1900.*

To the board of managers of the Carnegie Steel Co. (Ltd.):

The committee appointed by the shareholders of the Carnegie Steel Co. (Ltd.) and the H. C. Frick Coke Co. for the purpose of carrying out the plans of reorganization of the Carnegie interests beg leave to report:

In the matter of the adjustment of the relative book values of the Carnegie Co. (Ltd.) and the H. C. Frick Coke Co. with its subsidiary companies.

At April 1 1899, the relative book values were as follows:

The Carnegie Steel Co. (Ltd.)	3.27986
H. C. Frick Coke Co. and allies	1

Based on careful estimates of March profits of all the companies whose stock is included the same relative book values, at Apr. 1, 1900, show a surplus for distribution to shareholders of the Carnegie Steel Co. (Ltd.) of	$16,277,464.69
To this should be added the holdings of the Carnegie Steel Co. (Ltd.) in the stock of the H. C. Frick Coke Co. and its subsidiary companies carried on the steel company's books at	5,585,174.39
Total for distribution	21,862,639.08

This committee would therefore recommend the declaring by the Carnegie Steel Co. (Ltd.) of a final dividend of 88 per cent, or $22,000,000, payable as follows:

To cover the value of the stock of the H. C. Frick Coke Co. and its subsidiary companies charged to partners in accordance with the reorganization agreement	$5,585,174.39
Three per cent payable in cash on demand by either "paid-up" partners or "debtor" partners whose interests were purchased not later than Jan. 1, 1899	750,000.00

Balance payable at such times and in such installments as this committee shall decide after consultation with the principal partners and the treasurer	$15,664,825.61
Total	22,000,000.00

Respectfully submitted.

C. M. SCHWAB.
G. D. PACKER.
F. T. F. LOVEJOY.
A. M. MORELAND.

From pages 358, 359, 360, 361, 362, 363, and 364:

THE BILLION-DOLLAR FINALE.

The absorption of the Carnegie by the United States Steel Corporation has been invested with much dignity and lofty circumstances by numerous writers in reviews and magazines; and owing to its magnitude, running into hundreds of millions, the transaction has struck the popular imagination and acquired a world-wide interest. To those who watched the incident from the inside, who saw the framework of the scenery and the elaborate mechanism of the stage effects, who attended the rehearsals and heard the subdued tones of the prompter, there was certain grim humor in a performance which those in front watched with bated breath. But despite its lack of spontaneity, the proceeding had the dignity conferred by magnitude, and its brilliant success made it impressive, even to those who heard the creaking of the machinery.

The time is not yet ripe for a full and frank description of the events leading up to this important consolidation, but a rought outline of them may be given.

About a year before Mr. Frick resigned the headship of the Carnegie Steel Co. he appointed a committee, with Mr. Clemson as chairman, to report on a project he had formed of building a tube works at Conneaut, the Lake Erie terminus of the Bessemer Railroad. There being little freight from Pittsburgh to the lake port, the ore trains returned for the most part empty, and to utilize this profitless haul various plans had been discussed by Mr. Frick and his colleagues for the building of blast furnaces and other works at Conneaut that would call for Pittsburgh coal and coke. One of these schemes is outlined in the minutes of the meeting of the board of managers held on January 16, 1899, previously quoted, and at the same meeting Mr. Clemson made a remark which showed that, after making the investigation authorized by Mr. Frick, he was in favor of also starting the tube works. It is probable that these works would have been built by the Carnegie managers but for the attempt made the same year to sell out to the Moore syndicate, it being thought undesirable to antagonize, while such a deal was pending, the important financiers who were interested in the National Tube Co., with which the new works would have come into competition. But there was no idea at this time of holding the tube project as a threat over anybody. It was a simple business plan, growing out of the need for filling the empty ore cars on their return to Conneaut.

After the reorganization of the steel company consequent on the withdrawal of Mr. Frick, it was seen by Mr. Carnegie that this tube project might be revived and utilized to force the purchase of at least his own holdings in the Carnegie Co., and perhaps of the whole concern. So the plan was gone over afresh, amplified and made definite, and then given to the newspapers by the Carnegie press agent and by Carnegie interviews. Thus it was published the length and breadth of the country as the settled purpose of the steel company. Here are two of these statements; the first as furnished by the Carnegie press agent, and the second in a characteristic interview with Andrew Carnegie. The Pickwickian humor of the latter will not be lost on the reader who recalls the discussion of the Carnegie managers in 1899 concerning the Conneaut project, quoted in the eighteenth chapter of this book:

"It has been determined by the Carnegie Co., in order to utilize this now profitless haul, to establish at the lake terminal, where it already owned great docks and has ample facilities for handling ore and for the lake shipment of the finished product, and extensive pipe and tube manufacturing plant, representing an investment of $12,000,000. The projected works will stretch over a mile along the lake front, and will be the most extensive and complete plant of the kind in existence. Electric power will be mainly used for driving the machinery, and the system of operation will be continuous, the ore being un-

loaded from vessels at one end and worked through successive stages of iron and steel making in a direct line to the finished pipe and tube at the other end." (World's Work.)

"Immediately following the Carnegie Co. announcement of the location of a tube plant at Conneaut Harbor, Ohio, rumors were set afloat throwing some doubt on the sincerity of the company's intention to carry out the announced plans. In the iron trade there was an attempt to find a reason for the location of the plant at Conneaut rather than in the Pittsburgh district. Regarding the reasons for going outside of the Pittsburgh district Andrew Carnegie was quoted last week as follows: 'In the first place, I am bound to say that Conneaut was not considered until the Pennsylvania Railroad, without consulting, doubled our export rates, * * * which led our people to take up the question, How can we escape from the grasp of this arbitrary railroad combination? A study of the subject convinced everyone that we could do so by taking to water. When I returned from Europe it was to find all agreed that this was the method of relief. * * * Our establishment at Conneaut will benefit Pittsburgh, because we shall give the Pittsburgh railroads an object lesson. A very small proportion of our freight will go by rail from these works. We are already in the shipping business, and have only to add half a dozen small steamers to our fleet to ply to the important lake cities, distributing steel and loading up with scrap, of which we shall use an enormous quantity.'"

Asked whether the proposed plant was supposed to be a blow at the National Tube Co., Mr. Carnegie replied that at one time the original National Co. purchased billets from his company, but later decided to work its own blast furnaces and make its own billets. Continuing, he said: "As I understand the policy of the Carnegie Steel Co., it is to cooperate in every way with its fellow manufacturers in the industrial world, and not to push itself into any new field, save in self-defense. We did not leave the National Tube Co. They left us, which they had a perfect right to do, of course. Now we are ready to shake hands and cooperate with them in the most friendly spirit. We are better for them than a dozen small concerns, conducted in a small, jealous way. We believe there is room enough for the two concerns." (Iron Trade Review, January 17, 1901.)

In the conversion of the heathen, missionaries have found it useful to describe the condition of the damned before presenting a picture of the joys of the blessed. It was on some such principle that the threat of industrial war was thus made by the Carnegies before the blessings of cooperation and consolidation were set out before the vision of the alarmed financiers of the country. The panic produced by the double threat of the Carnegies to build a rival tube works and to enter into competition with the great Pennsylvania has been graphically described by a recent magazine writer:

"Either project as a threat would have been alarming. The two together, as imminent and assured accomplishments, produced a panic. And a panic among millionaires, while hard to produce, is, when once underway, just as much of a panic as is a panic among geese. They ran this way and that; they hid one behind another; they filled the newspapers with their squawkings; they reproached, implored, accused each other. At last they ran to their master—Morgan—and he negotiated with Carnegie."

But the negotiations came later. They were preceded by a bankers' dinner, at which were preached the joys of industrial peace. This famous dinner also grew out of a previous incident connected with Mr. Frick.

Somewhere about the time of the purchase of the Moore option Mr. Frick invited a number of prominent bankers to Pittsburgh, to show them the armor-plate vault that had just been built for the Union Trust Co. Incidentally they were given an opportunity of seeing the extent of the iron and steel works at Pittsburgh. Up to that time the resources of the Iron City were but imperfectly known in Wall Street. This visit showed that it was the busiest place in the world and the center of its greatest industry. Duly impressed, the bankers returned to New York, and the courtesies they had received as Mr. Frick's guests were now treated as an outstanding asset of the Carnegie Steel Co. Through the influence of Mr. Albert C. Case, credit agent of the Carnegie Co., and that of Mr. Charles Stewart Smith, an intimate friend of Andrew Carnegie, arrangements were made with a prominent banker of New York, who had been among those entertained by Mr. Frick, to give a return dinner ostensibly in honor of Mr. Schwab. This dinner was duly given, and, as a spontaneous outburst of enthusiasm for Mr. Frick's earlier protégé, it has been much written about and discussed.

Mr. Morgan attended the dinner and listened with great interest to Mr. Schwab's views on industrial combinations—"views apparently so large, so wise, and so interesting that Mr. Morgan was strongly impressed by the speech and the speaker. Then there began a series of interviews, which eventually led to the founding of the United States Steel Corporation, to the realization of Mr. Carnegie's desire to retire from the control of the business," and to the sale and absorption of the Carnegie Co. It was the most masterly piece of diplomacy in the history of American industry, and formed a fitting climax to Andrew Carnegie's romantic business career.

The further story of the merger has been told a hundred times, and need not be repeated here. The part of the Carnegies in it is indicated in the following letter to stockholders, now first published:

THE CARNEGIE CO.,
Pittsburgh, Pa., March 9, 1901.

(Personal and confidential.)

DEAR SIR: To facilitate the exchange of the stock of the Carnegie Co. for stock of the United States Steel Corporation, the undersigned, at the request of a majority of the stockholders, have agreed to act as a committee, on behalf of their fellow stockholders, to receive certificates of stock of the Carnegie Co. and to make the exchange for shares of preferred and common stock of the new company.

You are therefore requested, if you desire to exchange your stock and to have this committee act for you, to deliver the certificates of stock of the Carnegie Co. held by you to W. W. Blackburn, who will deliver to you the receipt of the committee therefor. Such certificates must be indorsed in blank (or may be accompanied by separate powers of attorney), with the names of the undersigned inserted as attorneys in fact, with power to them or any two of them to transfer the said shares upon the books of the company; proper revenue stamps to be attached. The receipt appended hereto will then be signed.

The basis of exchange is as follows:

One share of the Carnegie Co. stock (par value $1,000) to receive of the United States Steel Corporation stock 15.3558 shares of 7 per cent cumulative preferred, par value $100—$1,535.58; 14.1061 shares common, par value $100—$1,410.61. No scrip will be issued for fractional shares, but exchange will be arranged at the rate of $100 per share for preferred and $50 per share for common, viz:

Where a depositor is entitled to less than one-half of one share of preferred or common stock, he will receive cash for same; and where entitled to more than one-half of one share of preferred or common stock, he will be allotted and required to pay for the fractional share at the above rate.

A deposit of stock with the committee will constitute an acceptance of the above terms by the depositor.

Yours, respectfully,

C. M. SCHWAB,
L. C. PHIPPS,
W. W. BLACKBURN,
Committee.

Had all the stockholders been subject to these terms it would have meant that the $160,000,000 of the Carnegie Co.'s stock would have been exchanged for the United States Steel Co.'s stock as follows:

7 per cent cumulative preferred	$240,569,280
Common stock	225,697,760
	466,267,040
Add $160,000,000 bonds exchanged for the same amount of Carnegie bonds	160,000,000
Total	626,267,040

As a matter of fact, however, Andrew Carnegie, Mrs. Lucy C. Carnegie, and George Lauder were paid entirely in United States Steel Co. bonds at the rate of $1,500 per share. Thus for 96,000 shares of stock in the Carnegie Co. they received $144,000,000 in bonds of the United States Steel Corporation. The balance of the $304,000,000 bond issue of the latter, or $160,000,000, was exchanged at par for the $160,000,000 bond issue of the Carnegie Co.

For the balance of the stock of the Carnegie Co., i. e., 64,000 shares, was issued $98,277,120 in preferred stock and $90,279,040 in the common stock of the United States Steel Corporation.

At the time of purchase the bonds and the preferred stock were considered worth par and the common stock 50, making the total amount paid at that time $447,416,640. Add to this the $22,000,000 dividend paid to Carnegie stockholders the previous year in adjustment of values in the consolidation of the coke and steel properties, and we reach the total cash value of the business to which Kloman's little forge had grown in 40 years.

Mr. YOUNG. How did you obtain these original documents for use in this book?

Mr. BRIDGE. They were given to me by officers of the Carnegie Steel Co., who considered that they had the right to give them to me for publication.

Mr. YOUNG. Were they given to you for the purpose of compiling this book?

Mr. BRIDGE. Yes, sir. They knew what I was doing.

Mr. YOUNG. And who were these officials?

Mr. BRIDGE. If the committee will excuse me, I would rather not name them.

Mr. YOUNG. Did this book grow out of the controversy between Mr. Frick and Mr. Carnegie?

Mr. BRIDGE. No, sir; not at all. It had nothing to do with it.

Mr. YOUNG. But it was published subsequently?

Mr. BRIDGE. Yes.

Mr. YOUNG. Were those gentlemen to whom you refer officials of the Carnegie Co. at the time that they delivered these things to you?

Mr. BRIDGE. Some of them were.

Mr. YOUNG. Some of them were not?

Mr. BRIDGE. Some of them were not; had retired from the business.

Mr. YOUNG. Were these things given with the consent and knowledge of the company as a company?

Mr. BRIDGE. As a company the officials of the Carnegie Steel Co. refused to give me any information, and practically challenged me to write a book without their assistance. Then, afterwards, some of the same men privately gave me documents. That is the reason I do not wish to name them.

Mr. YOUNG. All right.

Mr. BEALL. Had you begun the preparation of this work before the controversy came up, if there was one, between Mr. Carnegie and Mr. Frick?

Mr. BRIDGE. This work was done four or five years later.

The CHAIRMAN. That is all. Thank you.

APPENDIX

Exhibit Offered by Mr. Young.

[Statistical abstract of the United States, 1897.]

PRICES OF DOMESTIC IRON.

No. 132.—Prices of pig iron, rolled bar iron, iron and steel rails, steel billets, per ton, and of cut and wire nails, per keg of 100 pounds, from 1852 to 1897.

[Furnished by the American Iron and Steel Association.]

Calendar year.	Pig iron.				Bar iron, rolled.		Steel billets.[2]	Rails.[4]		Nails.	
	No. 1 foundry.[1]	Gray forge.[1]	Gray forge lake ore.[2]	Bessemer.[2]	Best refined.[3]	Best refined.[3]		Iron standard sections.	Steel standard sections.	Cut.[5]	Wire.[6]
1852	$22.63				$58.79			$48.38		$3.13	
1853	36.12				83.50			77.25		4.85	
1854	36.88				91.33			80.13		4.76	
1855	27.75				74.58			62.88		4.10	
1856	27.12				73.75			64.38		3.92	
1857	26.38				71.04			64.25		3.72	
1858	22.25				62.29			50.00		3.53	
1859	23.38				60.00			49.38		3.86	
1860	22.75				58.75			48.00		3.13	
1861	20.25				60.83			42.38		2.75	
1862	23.88				70.42			41.75		3.47	
1863	35.25				91.04			76.88		5.13	
1864	59.25				146.46			126.00		7.85	
1865	46.12				106.38			98.63		7.08	
1866	46.88				98.13			86.75		6.97	
1867	44.12				87.08			83.13	[7] $106.00	5.92	
1868	39.25				85.63			78.88	158.50	5.17	
1869	40.63				81.66			77.25	132.25	4.87	
1870	33.25				78.96			72.25	106.75	4.40	
1871	35.12				78.54			70.38	102.50	4.52	
1872	48.88				97.63			85.13	112.00	5.46	
1873	42.75		$35.80		86.43			76.67	120.50	4.90	
1874	30.25		27.16		67.95			58.75	94.25	3.99	
1875	25.50		23.67		60.85			47.75	68.75	3.42	
1876	22.25		21.74		52.08			41.25	59.25	2.98	
1877	18.88		20.60		45.55			35.25	45.50	2.57	
1878	17.63		18.09		44.24			33.75	42.25	2.31	
1879	21.50		22.15		51.85			41.25	48.25	2.69	
1880	28.50		27.98		60.38			49.25	67.50	3.68	
1881	25.12		22.94		58.05			47.13	61.13	3.09	
1882	25.75	$22.60	23.84		61.41	$54.51		45.50	48.50	3.47	
1883	22.38	19.33	19.04		50.30	44.24		(8)	37.75	3.06	
1884	19.88	17.71	17.17		44.05	38.45		(8)	30.75	2.39	
1885	18.00	15.58	15.27		40.32	36.59		(8)	28.50	2.33	
1886	18.71	16.40	16.58	18.96	43.12	38.08	31.75	(8)	34.50	2.27	
1887	20.92	17.79	19.02	21.37	49.37	43.59	32.55	(8)	37.08	2.30	[9] $3.15
1888	18.88	16.21	15.99	17.38	44.99	39.67	28.78	(8)	29.83	2.03	2.55
1889	17.75	15.48	15.37	18.00	43.40	38.30	29.45	(8)	29.25	2.00	2.49
1890	18.40	15.82	15.78	18.85	45.92	41.25	30.32	(8)	31.75	2.00	2.51
1891	17.52	14.52	14.06	15.95	42.56	38.38	25.32	(8)	29.92	1.86	2.04
1892	15.75	13.54	12.81	14.37	41.81	36.79	23.63	(8)	30.00	1.83	1.70
1893	14.52	12.73	11.77	12.87	38.08	33.53	20.44	(8)	28.12	[10] 1.44	1.49
1894	12.66	10.73	9.75	11.38	29.96	26.86	16.58	(8)	24.00	[10] 1.08	1.11
1895	13.10	11.49	10.94	12.72	32.29	28.09	18.48	(8)	24.33	[10] 1.47	1.69
1896	12.95	11.09	10.39	12.14	31.36	27.22	18.83	(8)	28.00	[10] 2.32	[9] 2.50
1897	12.10	10.48	9.03	10.13	29.40	24.73	15.08	(8)	19.58	[10] 1.47	[9] 1.45

[1] At Philadelphia.
[2] At Pittsburgh.
[3] From store at Philadelphia.
[4] At mills in Pennsylvania.
[5] Wholesale base prices at store, Philadelphia.
[6] Base prices from factory, f. o. b. Chicago, in carload lots.
[7] First made in commercial quantities in the United States in 1867.
[8] Superseded by the manufacture of steel rails.
[9] Not made in commercial quantities in the United States before 1887.
[10] Prices based on a new classification adopted in 1893, the base price and schedule of extras being changed to correspond with the wire-nail schedule. In December, 1896, the schedule for cut and wire nails was again changed.

No. 254.—Pig iron, rolled bar iron, iron and steel rails, steel billets, per long ton, and cut and wire nails, per keg of 100 pounds; annual average prices, 1898 to 1910.

[Furnished by the American Iron and Steel Association.]

Calendar year.	Pig iron.				Bar iron, rolled.		Steel billets.[2]	Rails, steel standard section.[4]	Nails.	
	No. 1 foundry.[1]	Gray forge.[1]	Gray forge lake ore.[2]	Bessemer.[2]	Best refined.[3]	Best refined.[2]			Cut.[5]	Wire.[6]
1898	$11.66	$10.23	$9.18	$10.33	$28.65	$23.93	$15.31	$17.62	[7] $1.31	$1.45
1899	19.36	16.60	16.72	19.03	46.29	43.75	31.12	28.12	2.21	2.60
1900	19.98	16.49	16.90	19.49	44.00	48.12	25.06	32.29	2.46	2.76
1901	15.87	14.08	14.20	15.93	41.16	40.38	24.13	27.33	2.29	2.41
1902	22.19	19.20	19.49	20.67	47.79	43.53	30.57	28.00	2.29	2.15
1903	19.92	17.13	17.52	18.98	44.83	39.59	27.91	28.00	2.36	2.13
1904	15.57	13.67	12.89	13.76	38.49	33.17	22.18	28.00	2.01	1.96
1905	17.88	15.58	15.62	16.36	42.97	41.89	24.03	28.00	2.00	1.93
1906	20.98	17.79	18.19	19.54	44.28	43.21	27.45	28.00	2.13	1.98
1907	23.89	21.06	21.52	22.84	47.30	43.49	29.25	28.00	2.36	2.18
1908	17.70	15.72	15.23	17.07	38.12	35.75	26.31	28.00	2.20	2.17
1909	17.81	16.13	15.55	17.41	39.33	36.40	24.62	28.00	2.05	2.00
1910	17.36	15.72	15.24	17.19	41.37	36.87	25.38	28.00	2.10	1.96

[1] At Philadelphia.
[2] At Pittsburgh.
[3] Net price from store at Philadelphia.
[4] At mills in Pennsylvania. First made in commercial quantities in the United States in 1867.
[5] Wholesale base prices at store, Philadelphia.
[6] Base prices from factory f. o. b. Chicago, in carload lots.
[7] Prices based on a new classification adopted in 1893, the base price and schedule of extras being changed to correspond with the wire-nail schedule. In December, 1896, the schedule for cut and wire nails was again changed.

From the report of the American Iron and Steel Association for 1907 with additions by said association for subsequent years.

STEEL RAILS.

The following table gives the annual production in gross tons of Bessemer steel rails in the United States from 1867 to 1910, together with their average annual price at the works in Pennsylvania and the rates of duty imposed at various periods. Prices are in currency. The premium on gold ended on January 1, 1879:

Years.	Gross tons.	Price.	Duty.
1867	2,277	$166.00	45 per cent ad valorem to Jan. 1, 1871.
1868	6,451	158.46	
1869	8,616	132.19	
1870	30,357	106.79	
1871	34,152	102.52	
1872	83,991	111.94	
1873	115,192	120.58	
1874	129,414	94.28	
1875	259,690	68.75	$28 per ton from Jan. 1, 1871, to Aug. 1, 1872; $25.20 from Aug. 1, 1872, to Mar. 3, 1875; $28 from Mar. 3, 1875, to July 1, 1883.
1876	368,269	59.25	
1877	385,865	45.58	
1878	491,427	42.21	
1879	610,682	48.21	
1880	852,196	67.52	
1881	1,187,770	61.08	
1882	1,284,067	48.50	
1883	1,148,709	37.75	$17 per ton from July 1, 1883, to Oct. 6, 1890.
1884	996,983	30.75	
1885	959,471	28.52	
1886	1,574,703	34.52	
1887	2,101,904	37.08	
1888	1,386,277	29.83	
1889	1,510,057	29.25	
1890	1,867,837	31.78	$13.44 per ton from Oct. 6, 1890, to Aug. 28, 1894.
1891	1,293,053	29.92	
1892	1,537,588	30.00	
1893	1,129,400	28.12	

Years.	Gross tons.	Price.	Duty.
1894	1,016,013	$24.00	
1895	1,299,628	24.33	
1896	1,116,958	28.00	
1897	1,644,520	18.75	
1898	1,976,702	17.62	
1899	2,270,585	28.12	
1900	2,383,654	32.29	
1901	2,870,816	27.33	$7.84 per ton from Aug. 28, 1894, to Aug. 6, 1909.
1902	2,935,392	28.00	
1903	2,946,756	28.00	
1904	2,137,957	28.00	
1905	3,192,347	28.00	
1906	3,791,459	28.00	
1907	3,380,025	28.00	
1908	1,349,153	28.00	
1909	1,767,171	28.00	$3.92 per ton from Aug. 6, 1909.
1910	1,884,442	28.00	

MEMORANDUM AS TO SOURCE OF FOLLOWING TABLES.

1. For the production of tin plates and terne plates in the United States from 1891 to 1909 see the annual report of the American Iron & Steel Association for 1909, part II, pages 8-9. A copy is sent therewith. Figures for 1910, collected by the association, have been added to the table. For 1910 figures, see page 83 of the association's report for 1910. Copies of the report of Col. Ira Ayer, who collected the tinplate statistics for the Treasury Department, from July 1, 1891, to June 30, 1897, can probably be had at Washington. Our files of his reports are not now complete. As stated on page 8, part II, of the annual report of the American Iron & Steel Association for 1909, tinplate statistics from July 1, 1897, have been compiled chiefly from the records of the American Iron & Steel Association.

2. For the table by W. Fellows & Co., giving the highest and lowest prices of tin plates at Liverpool from 1863 to 1892, see page 56 of the annual report of the American Iron & Steel Association for 1892, sent herewith.

3. For the table giving the highest and lowest prices of foreign tin plates at Philadelphia or New York from 1869 to 1891, prepared by the N. & G. Taylor Co., of Philadelphia, see the minority report of the Ways and Means Committee of the House of Representatives, Fifty-second Congress, first session—Report 1040, part II, pages 17-18, dated April 25, 1892, to accompany H. R. 8033. Unfortunately I have but one copy of this report. You can probably obtain a copy at the House library or at the document room.

4. For the table giving the prices of foreign tin plates at New York and St. Louis from 1878 to 1891, see page 21 of a letter from the American Iron & Steel Association to Senator Aldrich, dated September 18, 1891. Title of pamphlet, "The Iron and Steel Industries of the United States." Copy sent herewith.

5. For the table giving the average yearly prices of foreign tin plates at New York from 1890 to 1898, see page 47 of the annual report of the American Iron & Steel Association for 1910.

6. For the table giving the prices of domestic tin plates at mills in Pennsylvania from 1899 to 1910, see page 47 of the annual report of the American Iron & Steel Association for 1910.

TIN PLATES AND TERNE PLATES.

The following table gives the production of both tin plates and terne plates in the United States from the beginning of the industry in 1891 to the end of 1910. From July 1, 1891, to June 30, 1897, the statistics were collected by Col. Ira Ayer for the Treasury Department. On the latter date the department abandoned the collection of these statistics. From July 1, 1897, to December 31, 1910, the statistics have been compiled from reliable sources of information, but chiefly from the records of the American Iron & Steel Association. For 1900 the figures are for the census year ending on May 31, and for 1904 they are for the census year ending on December 31, the statistics of both tin plates and terne plates for these two years having been collected by the Bureau of the Census. The production of tin dipping plants is included in the figures for all years.

Years.	Tin plates.	Terneplates.	Total.
	Pounds.	*Pounds.*	*Pounds.*
1891 (second 6 months)	368,400	1,868,343	2,236,743
1892 (calendar year)	13,921,296	28,197,896	42,119,192
1893	64,536,209	59,070,498	123,606,707
1894	102,223,407	64,120,002	166,343,409
1895	165,927,907	88,683,488	254,611,395
1896	270,151,785	89,058,013	359,209,798
1897 (first 6 months)	203,028,258	49,545,643	252,573,901
1897 (second 6 months)	.....	.....	322,205,519
1898 (calendar year)	.....	.....	732,289,600
1899	.....	.....	808,360,000
1900 (census year ending May 31)	707,718,239	141,285,783	849,004,022
1901 (calendar year)	.....	.....	894,411,840
1902	.....	.....	806,400,000
1903	.....	.....	1,075,200,000
1904 (census year ending Dec. 31)	867,526,985	158,857,866	1,026,384,851
1905 (calendar year)	.....	.....	1,105,440,000
1906	1,100,373,000	193,367,000	1,293,740,000
1907	996,650,000	156,447,000	1,153,097,000
1908	1,048,896,000	154,179,000	1,203,075,000
1909	1,179,858,000	190,930,000	1,370,788,000
1910	1,450,821,000	168,184,000	1,619,005,000

In the following table we have reduced to gross tons the figures in the last column of the above table, which give the total production of tin plates and terneplates from 1891 to 1910.

Years.	Gross tons.	Years.	Gross tons.
1891 (last 6 months)	999	1901	399,291
1892	18,803	1902	360,000
1893	55,182	1903	480,000
1894	74,260	1904 (census year ending Dec. 31)	458,208
1895	113,666	1905	493,500
1896	160,362	1906	577,562
1897	256,598	1907	514,775
1898	326,915	1908	537,087
1899	360,875	1909	611,959
1900 (census year ending May 31)	379,020	1910	722,770

PRICE OF FOREIGN TIN PLATES.

The duty of 2.2 cents per pound in the tariff of 1890 having established our tin-plate industry on a permanent basis, as is shown by the statistics of production, the effect of this and subsequent protective duties on the prices of tin plates to consumers may next be considered. We submit herewith a series of tables which we have compiled from authentic sources, giving the prices at which tin plates of both domestic and foreign manufacture have been sold before and after the tin-plate industry was established in this country. The figures we shall give do not relate to terne plates.

We will give first the prices prevailing abroad before our tin-plate industry obtained a foothold. The following table presents the highest and lowest yearly prices of I. C. coke tin plates, per box of about 108 pounds, at Liverpool from 1863 to 1892, as reported by W. Fallows & Co., of Liverpool, iron and steel merchants of long experience and establised reputation:

Years.	Lowest price.			Highest price.			Years.	Lowest price.			Lowest price.		
	£	s.	d.	£	s.	d.		£	s.	d.	£	s.	d.
1863	1	02	03	1	05	06	1878	0	13	00	0	16	09
1864	1	04	00	1	06	00	1879	0	14	06	1	03	00
1865	1	02	00	1	05	06	1880	0	14	06	1	10	00
1866	1	04	06	1	06	06	1881	0	14	06	0	17	09
1867	1	01	06	1	04	06	1882	0	15	00	0	18	00
1868	1	01	06	1	04	00	1883	0	15	06	0	16	03
1869	1	03	06	1	04	00	1884	0	14	00	0	15	06
1870	1	03	00	1	04	06	1885	0	12	06	0	15	00
1871	1	04	06	1	08	06	1886	0	12	03	0	14	00
1872	1	08	06	2	02	00	1887	0	12	09	0	15	00
1873	1	10	00	1	17	00	1888	0	13	03	0	15	06
1874	1	09	00	1	12	06	1889	0	12	09	0	15	09
1875	1	01	00	1	11	00	1890	0	13	06	0	18	00
1876	0	19	06	1	01	00	1891	0	12	06	0	17	06
1877	0	17	00	0	18	09	1892	0	12	00	0	12	09

A study of the above table shows that the price of tin plates at Liverpool from 1863 to 1892 was often above $5 per box of 108 pounds, occasionally above $6 and $7 per box, and once, in 1872, the price rose to $10. Sometimes, through trade wars, prices fell to $4 and even to $3. But for 10 years at a time the price was above $5. These prices, it must be remembered, were in Liverpool, to which, if the tin plates were exported to this country, would be added freight and duty and other charges.

The following table was prepared by the N. & G. Taylor Co., importers, of Philadelphia, in April, 1892, and is contained in the minority report of the Ways and Means Committee submitted to the House of Representatives on April 25, 1892. It gives the prices of foreign tin plates at Philadelphia from 1869 to 1891.

Years.	Melyn grade tin plates.		Coke tin plates.	
	Highest.	Lowest.	Highest.	Lowest.
1869	$9.00	$8.25	$7.25	$7.00
1870	9.00	8.25	7.75	7.00
1871	9.37	8.25	8.37	7.12
1872	13.75	9.50	12.50	8.25
1873	12.50	9.75	10.50	9.50
1874	11.00	9.62	8.75	7.50
1875	10.00	7.50	7.87	6.25
1876	7.62	7.00	6.62	5.87
1877	6.87	6.12	6.00	5.37
1878	6.12	5.87	5.37	4.62
1879	8.37	5.87	7.50	4.87
1880	10.00	6.00	8.62	4.87
1881	6.62	6.00	5.57	4.87
1882	6.50	6.25	5.50	4.87
1883	6.37	6.25	5.12	4.87
1884	6.00	5.75	4.87	4.50
1885	5.75	5.50	4.75	4.25
1886	5.75	5.50	4.75	4.25
1887	6.12	5.50	4.75	4.25
1888	6.12	5.37	4.75	4.37
1889	6.37	5.50	5.12	4.37
1890	6.50	6.12	5.75	4.50
1891	7.00	6.50	5.87	5.12

The following table gives the prices actually paid at New York and St. Louis by consumers of foreign tin plates from 1878 to 1891. The prices are per box of 108 pounds, and are for an average grade of Melyn charcoal tin plates and an average grade of Grafton or J. B. coke tin plates:

Years.	Prices at New York.		Prices at St. Louis.	
	Charcoal.	Coke.	Charcoal	Coke.
1878			$6.87½	$6.12½
1879	$7.25	$6.25	8.25	7.37½
1880	8.00	6.75	9.00	8.12½
1881	6.40	5.45	7.25	6.50
1882	6.20	5.30	7.00	6.25
1883	6.00	5.10	6.75	6.00
1884	5.65	4.70	6.50	5.50
1885	5.35	4.40	6.25	5.25
1886	5.25	4.30	6.15	5.25
1887	5.50	4.60	6.25	5.40
1888	5.45	4.55	6.25	5.50
1889	5.45	4.55	6.40	5.60
1890	6.05	5.15	6.80	5.85
1891	6.20	5.30	7.00	6.00

The above prices are for foreign tin plates to consumers in this country. It will be noticed that in no year from 1878 to 1901 did the price of coke tin plates at New York fall below $4.30 per box, and that the price was for several years above $5, and in two years above $6, per box.

For a few years after the enactment of the McKinley tariff of 1890, the tin-plate provisions taking effect in 1891, the prices of foreign tin plates in our markets were maintained at about $5 per box, usually above $5, but when it became apparent to the foreign manufacturers that our tin-plate industry had come to stay their price was reduced in 1895 a full dollar per box, falling below $4. The following table gives the average yearly prices of imported coke Bessemer tin plates, I. C., 14 by 20, per box of 108 pounds, at New York, freight and duty paid, from 1890 to 1898:

Years.	Price.	Years.	Price.
1890	$4.80	1895	$3.87
1891	5.34	1896	3.80
1892	5.30	1897	3.90
1893	5.37	1898	4.00
1894	4.89		

PRICES OF DOMESTIC TIN PLATES.

Now, we come to the prices of domestic tin plates. Did our tin-plate manufacturers increase the cost of tin plates to consumers after a protective duty was imposed? On the contrary, they have greatly reduced the cost, while assuring to consumers a more uniformly excellent quality of tin plates than when these consumers were dependent upon foreign manufacturers. This they have done for 20 years. Unfortunately, only fragmentary quotations of domestic tin plates in the early years of their manufacture are available, but the following details will show that, in comparison with the New York prices of foreign tin plates above given, our manufacturers sold their tin plates at remarkably low prices. New industries are always operated at a greater cost at the beginning than is required after they have been in operation a few years. From 1890 to 1895 the prices charged for domestic tin plates and terne plates were approximately the same as those which prevailed for the foreign product, the domestic manufacturer simply meeting the prices charged by his foreign competitor.

From a leading New York commission house we learn that the price actually paid at New York for Bessemer coke tin plates of domestic manufacture on October 24, 1892, was $5.20 per box of 108 pounds and $4.97 per box of 100

pounds. The black plates were manufactured in the West, and the tinning was done in the East. In May, 1893, the price was $5.15 per box of 108 pounds and $4.95 per box of 100 pounds; and in October, 1893, it was $5 per box of 108 pounds and $4.77 per box of 100 pounds. In November, 1893, the price at Pennsylvania mills was $4.75 per box of 100 pounds. On December 7, 1893, it was $4.95 per box of 108 pounds and $4.80 per box of 100 pounds. In December of the same year it was $4.85 per box of 108 pounds. On January 28, 1895, it was $3.60 per box of 108 pounds and $3.45 per box of 100 pounds. To these prices 15 cents for freight to New York would be added.

William U. Follansbee, secretary and treasurer of the Follansbee Bros. Co., of Pittsburgh, advises us that in each of the last six months of 1892 the price of Bessemer coke tin plates was $5.50 per box of 100 pounds, f. o. b. at mill near Pittsburgh, and that the price for the same grade of tin plates in 1893 was $5.50 per box in March, $5.20 per box in June, and $4.90 per box in September, and that in December, 1894, it was $3.70 per box. Beginning early in 1895 a sufficient number of American mills were in operation to make a definite market for coke tin plates. From February to October of that year these tin plates were obtainable at $3.47½ per box of 100 pounds, f. o. b. at mill near Pittsburgh, with a still lower price of $3.35 per box in December, 1895.

According to the Iron Age the average wholesale price of American Bessemer tin plates, I. C., 14 by 20, per box of 108 pounds, at New York, in 1896, was $3.63; in 1897 it was $3.26; and in 1898 it was $2.99. These prices are obtained from monthly averages, which in turn had been averaged from weekly quotations. The following table, compiled from quotations in the Iron Age, gives the average yearly prices of domestic tin plates, I. C., 14 by 20, per box of 100 pounds, at tin plate mills in Pennsylvania, from 1899 to the end of 1910:

Years.	Price.	Years.	Price.
1899	$4.06	1905	$3.50
1900	4.47	1906	3.69
1901	4.00	1907	3.90
1902	3.93	1908	3.70
1903	3.74	1909	3.50
1904	3.41	1910	3.60

An examination of the tables of prices we have given will show that so long as foreigners enjoyed the monopoly of supplying our markets with tin plates they charged us, as a rule, high prices for all the tin plates we bought from them, and that since the passage of the tariff of 1890 tin plates have been, as a rule, much cheaper in our markets than they had previously been, thus illustrating again the truth that a protective duty, if maintained long enough, not only gives employment to our own people and keeps our money at home but also has the effect of permanently reducing the prices of the protected product to consumers.

No. 37

UNITED STATES STEEL CORPORATION

HEARINGS

BEFORE THE

COMMITTEE ON INVESTIGATION OF UNITED STATES STEEL CORPORATION

HOUSE OF REPRESENTATIVES

MONDAY, JANUARY 22, 1912

WASHINGTON
GOVERNMENT PRINTING OFFICE
1912

UNITED STATES STEEL CORPORATION.

COMMITTEE ON INVESTIGATION OF THE
UNITED STATES STEEL CORPORATION,
HOUSE OF REPRESENTATIVES,
Monday, January 22, 1912.

The committee this day met, Hon. Augustus O. Stanley (chairman) presiding.

STATEMENT OF MR. J. A. FARRELL.

The witness was duly sworn by the chairman.

The CHAIRMAN. I simply would like to call the attention of the committee to the fact that I served a subpœna duces tecum upon the president of the United States Steel Corporation, Mr. Farrell, for the producion of certain books and papers which were needed by the committee and by Mr. MacRae in the completion of his report, and Mr. Farrell is here this morning in obedience to that process. Mr. Farrell, at a subsequent date I am sorry that we will have to put you to the trouble of coming here more than once. We would like to have you here to ask you something about foreign prices and the prices quoted in these hearings, but it is not my intention to go into that this morning, unless the committee cares to. We will have to go into that subsequently.

Mr. REED. At a subsequent day this week, Mr. Chairman?

The CHAIRMAN. Some day, if possible, that will suit the convenience of Mr. Farrell and the committee. There are other witnesses here—one from San Francisco—and I did not really think it was necessary for the president to come, as I indicated to Mr. Reed, if these things could be furnished and if they could be turned over to Mr. MacRae, which would be a compliance with the subpœna.

First, I asked Mr. Farrell for the profit and loss sheets of the United States Steel Corporation for the years 1901 to 1910, inclusive. I have not the letter of Mr. MacRae—it was not returned to me—but I can quote it. Before the committee took a recess for the adjournment of the last session of Congress, Mr. Lindabury left the chairman under the impression that these profit and loss sheets would be furnished, and they were furnished; but after the adjournment of the House I was notified by Mr. Bolling and others that these receipts could only be furnished in the event that Mr. MacRae would agree to make such use of them as the corporation would designate, namely—I think I can quote it correctly—you may have the memorandum—that he would not make public the earnings of any specific subsidiary company, and that his report, like the report of Mr. Herbert Knox Smith, the Commissioner of Corporations, would

show only the cost and other data in the aggregate where several companies were concerned in such way as not to show the earnings and the cost or other affairs of any specific and particular company.

The House not being in session, and the chairman being very anxious to have Mr. MacRae occupied, I wired the United States Steel Corporation that Mr. MacRae might sign such a receipt, with the distinct understanding that the chairman, by inference nor otherwise, would be bound as agreeing to any such proposition after Congress convened and after he could issue a subpœna and bring the matter up before the committee, but that in the meantime I was perfectly willing that Mr. MacRae should use the cost sheets as designated. But I do not think it comports with the dignity of the chairman or of this committee to accept information or these cost sheets with any restriction placed upon the use of them in any way within the discretion of the committee. For that reason I brought the matter up to the committee and secured an expression of opinion and issued the process. If these profit and loss sheets are turned over to Mr. MacRae and the committee is permitted to use them as if they had been produced here, I have no desire to bring them to Washington.

Mr. REED. Mr. Chairman, before the year 1901, so far as we know, there were no profit and loss statements compiled. For the years 1902 to 1910 Mr. MacRae already has in his possession, I believe, copies of our profit and loss sheets. If that will be sufficient, I suppose the committee will not want the original left with the committee now?

The CHAIRMAN. Oh, no.

Mr. REED. Of course, we understand that the effect of bringing in these papers on a subpœna is to nullify the restriction that was placed on them by the agreement with Mr. MacRae.

The CHAIRMAN. That is right.

Mr. REED. But we have not yet abandoned all hope that the committee, in its discretion, will not authorize any unnecessary publicity to be given to our operating costs.

Mr. GARDNER. Will you kindly repeat that?

Mr. REED. We have not abandoned the hope——

Mr. GARDNER (interposing). About discontinuing?

Mr. REED. I understand that all of these papers are produced on subpœna, and we have no right to ask the committee for any agreement as to the use that will be made of them in the discretion of the committee, but we earnestly hope that the committee will not authorize any greater publicity of these things, because they relate to our innermost affairs—any greater publicity than is necessary.

Mr. BARTLETT. What do you mean?

Mr. REED. If the committee finds that its purposes would be served by a composite cost sheet such as we were willing Mr. MacRae should make public, I do not think we object.

The CHAIRMAN. I will say that I readily understand the desire of the United States Steel Corporation that its trade secrets should not be made public. I certainly have no desire to make public any statement or any fact that would injure or affect a great industry, where the publicity is not demanded, and where the companies would suffer, and I am rather inclined to believe, after consulting with Mr. MacRae, that a great deal of this report can be made upon the

basis of either a composite cost sheet or a maximum and minimum cost sheet, which will not give the names of the particular concerns that incurred them. I can not speak for the committee, but I presume the committee feel the same way; we certainly have no desire to make public anything that will simply hamper you in your business and will not throw light upon the great questions that we are here to investigate.

Mr. REED. We know that is the motive of the committee.

Mr. BARTLETT. Would our purpose be subserved by having Mr. MacRae take the stand and give evidence of the cost?

Mr. REED. No; I do not suggest that Mr. MacRae should take the stand, but I suppose he will make his report to the committee, setting forth the substance of his investigations.

Mr. BARTLETT. In other words, I do not think we should make any quasi agreement and afterwards find that we can not carry it out.

The CHAIRMAN. We will be at perfect liberty to show as much as we want as to any and all of these cost sheets.

Mr. BARTLETT. And not withhold any information which is legitimately given?

Mr. REED. Not at all.

Mr. GARDNER. Mr. Herbert Knox Smith may make up his conclusions on a very different basis from what Mr. MacRae makes up his, from the same facts, but giving a different interpretation to those facts. Now, if Mr. MacRae simply makes his report and we compare that with Mr. Herbert Knox Smith's report, it will not be nearly as satisfactory as putting Mr. MacRae on the stand and cross-examining him as to how he arrives at his conclusions.

Mr. BARTLETT. That is it.

Mr. GARDNER. I would not want to say, Mr. Chairman, that we would want to indicate that we must keep clear of examining Mr. MacRae, and that none of these questions we might ask unintentionally would lead into any discussion of this business, but whether or not you can examine Mr. MacRae satisfactorily without treading on dangerous ground, I do not know.

Mr. REED. Of course, I understand that I can not ask the committee for any agreement at this time. I simply want to remind them of our anxiety to avoid unnecessary publication.

The CHAIRMAN. The only thing I meant to state, and the only thing I did state—and I speak for myself and not for the committee—it was not the purpose of the chairman to unnecessarily make public any of the so-called trade secrets of this concern. Wherever the committee regard it as necessary, or wherever the chairman regards it as necessary in order to elicit truth as to the position of the United States Steel Corporation as to the Sherman Act or any of these other acts, or in order to get additional light on proposed legislation, why, then, the inconvenience the United States Steel Corporation would suffer would be of less concern to us than our plain duty, and while we should regret to make the facts public, I do not think the committee would hesitate—I know the chairman would not—to make them public. I only wish to assure Mr. Reed that there will be no unnecessary or wanton or spiteful publication of your business.

Mr. REED. That is all I can ask.

Mr. BARTLETT. Mr. Chairman, permit me. Of course, nobody in reason supposes that this committee would make any unnecessary or

spiteful publication or do anything along that line. One of the questions involved in this investigation, I apprehend, is to determine the cost of production of these various products of this corporation; its combination, if any exists, with others; the railroads or other associations formed for the purpose of producing the product; the prices at which sold, both here and abroad, and what recommendation this committee shall make with reference to all those matters. Now, I would be unwilling to make a report to the House, a conclusion to the House, that the cost of the production of any particular article, or any articles, was such that it was too little or too high, and that the price was too high to the consumer, either by combination or otherwise, and not give to the House all of the information that has been elicited properly by this committee. I do not want you to understand that I agree, even tacitly, not to publish any evidence demonstrated as a fact, whatever it may be.

The CHAIRMAN. I entirely agree with you.

Mr. BARTLETT. Any evidence which is legitimately here and admissible, and serves to properly illustrate the conclusions this committee may come to in the exercise of the authority granted it by the resolution, will be made public, so far as I am concerned, so far as publishing it in the hearings and reporting it to Congress.

The CHAIRMAN. I see no objection, and certainly I offer none, to publishing any cost.

Mr. BARTLETT. Legitimately before this committee. I do not mean to flare it out in the newspapers, but we must put it all in the record, where it is accessible to the House.

The CHAIRMAN. What I mean is this: For instance, the cost of producing a ton of pig iron, if we can get that cost in detail. So far as the chairman is concerned, I would not insist that we state that the United States Steel Corporation can produce a ton of pig iron for so much at a certain blast furnace belonging to a certain plant in Pittsburgh.

Mr. BARTLETT. I do not care about that.

The CHAIRMAN. I would be perfectly willing, if the United States Steel Corporation thought that its business secrets would be exposed, to let the statement go without designating the particular concern, if it met with the approval of the committee.

Mr. REED. I think the chairman is right.

The CHAIRMAN. And I would have no fear of being criticized for that, provided I felt that it was just to the United States Steel Corporation, because I want, if I can, to be as just to you as to the public or anybody else.

The profit-and-loss statements of all subsidiary companies of the United States Steel Corporation for the years 1901 to 1910, inclusive—they have been turned over to Mr. MacRae.

Mr. BARTLETT. Turned over to Mr. MacRae?

The CHAIRMAN. Yes, sir; for him to use as he thinks best.

Mr. REED. As the committee thinks best.

The CHAIRMAN. The next thing is the minutes of the meetings of the presidents, boards of managers, purchasing agents of the subsidiary companies of the United States Steel Corporation, or any other written memoranda, statements, or any record of any kind whatsoever of the meetings of such presidents, purchasing agents,

or managers acting for or in behalf of such subsidiary companies of the United States Steel Corporation.

Now, Mr. Farrell, Mr. MacRae advises me that he finds in the minutes of the United States Steel Corporation the minutes of the executive committee, or what?

Mr. MacRae. The minutes of the subsidiary companies. This refers to the meetings of the presidents. I have asked for these, and so far as I know they have not been furnished. They are referred to numerous times in the minutes of the subsidiary companies themselves.

Mr. Reed. You have asked for the minutes of such meetings?

Mr. MacRae. Yes, sir; the minutes of the meetings of the presidents of the subsidiary companies, as long ago as last July.

The Chairman. They reported—somebody did—that they knew of no such minutes, and I thought it probable that there was some memorandum of those meetings and of the purpose for which they were held. I assume that the presidents of these companies would not meet and their deliberations be discussed and noted in the minutes of the holding company without some evidence or some memoranda of what they did or what they intended to do. Do you know whether there was any written memoranda?

Mr. Farrell. Mr. Chairman, I have been president of the United States Steel Corporation since the 1st of February, 1911. We have occasional meetings of the presidents of our subsidiary companies; that is, of the operating presidents, the presidents who have to do with the operation of the plants. We have never kept any minutes of such meetings. We have formally discussed processes and matters generally. If it is determined to go into the study of the by-products of coke ovens or metallurgical research or something of that kind, a committee is appointed of superintendents or foremen or men familiar with such matters, and those men sometimes pursue the study for months. Those men finally bring in a report of their conclusions. Those reports are in existence, but there have never been any minutes of any of the presidents' meetings kept since I have been president, since the 1st of February, 1911, and I have never seen any minutes of such meetings.

Mr. Bartlett. Are those reports of the presidents in writing?

Mr. Farrell. The presidents make no reports in writing. They frequently——

Mr. Bartlett (interposing). You spoke of reports.

Mr. Farrell. If the committee will permit me, I will give you an idea of some of the subjects discussed, which are submitted by these committees.

Mr. Bartlett. By the presidents?

Mr. Farrell. No; by the committee of blast-furnace superintendents. We have, for example, a committee on the utilization of the waste gas at blast furnaces.

The Chairman. In any instance has there been a minute book or any written evidence of the business transacted at the meetings of the presidents or any report made by them to the holding company?

Mr. Farrell. No, sir; since I have been president there never has been, to my knowledge, and I find no such minutes pertaining to any meetings which were held during the occupancy of the office by my

predecessors. For example, we have a blast-furnace committee studying these questions: The method of lining and its preservation; top construction and distributing devices; Tuyere practices; stock handling; flue dust, its handling and form in which it is used. With respect to the matter of flue dust, we have had committees studying the briquetting of flue dust and its utilization for nearly three years, and at one of our plants in Youngstown, Ohio, within the last few months they have discovered a method for the utilization of flue dust. Bosh construction; the use of carbon bricks in hearth and bosh construction, etc. The calcium-chloride method of drying air, such as is used at the Ougree works in Belgium. They have been very successful there. These are all operating questions. The presidents of the subsidiary companies have nothing to do with financial questions of the corporation or its policy, and neither have I, for that matter. My business is entirely in connection with the commercial, operating, and manufacturing departments of the corporation.

The CHAIRMAN. I find in the minutes of the United States Steel Corporation board of directors, I think, reference to the discussion among the presidents of the subsidiary companies as to the propriety of selling semifinished products to other concerns making the finished products in competition with the United States Steel Corporation?

Mr. FARRELL. I have no recollection of any such discussion.

The CHAIRMAN. That would be a matter of the greatest concern to this committee. That was before you were president. That would be a matter affecting the financial and economic policy of the company.

Mr. FARRELL. My own impression is that the companies would be pleased to sell all the material we could produce. There has never been any disposition, so far as I know, to restrict the sale of the materials we produce in semifinished form. As a matter of fact, a very large proportion of our material is sold in the form of sheet, bars, billets, blooms, and slabs.

The CHAIRMAN. I asked for the minutes of the Carnegie Steel Co. of Pennsylvania prior to April 1, 1901?

Mr. FARRELL. I have no knowledge of the existence of any minutes or documents or any information concerning the Carnegie Steel Co. in 1901.

Mr. REED. Pardon me, but you are passing over this other request for the minutes of the board of managers and purchasing agents. I thought we had better take these up in order.

The CHAIRMAN. I thought we covered that.

Mr. FARRELL. There is no board of managers of the United States Steel Corporation.

The CHAIRMAN. What about the purchasing agents?

Mr. REED. We have those minutes with us.

The CHAIRMAN. Turn them over.

Mr. REED. Yes, sir; everything we can. I will submit these now [producing minutes], so you can check them up as we go along. I do not understand that the committee wants us to leave the original records here permanently, and if Mr. MacRae can turn them over to our custodian each evening when the committee adjourns, we would prefer to do it that way.

The CHAIRMAN. So far as I am concerned—but I will leave it to the committee—I am perfectly willing to accept the assurance of Mr. Farrel and Mr. Reed that these documents, when identified, will be turned over to Mr. MacRae in New York. I know if you say you will, you will.

Mr. REED. Yes, sir; we will do that. We shall return them to New York to await Mr. MacRae's demand.

The CHAIRMAN. The next is the minutes of the Carnegie Steel Co. of Pennsylvania prior to April 1, 1901. They turned over to us a set of the minutes of the Carnegie Co. The Carnegie Co. had kept its minutes in a volume prior to the time that it was absorbed by the United States Steel Corporation, and the same volume was used for keeping the minutes of the Carnegie Steel Co after it became a subsidiary of the United States Steel Corporation, and somebody who is in the corporation, I presume, sealed it by placing a ribbon across it.

Mr. MACRAE. That happened in the case of the American Sheet Tin Plate Co.

The CHAIRMAN. Yes. The committee discussed that matter at great length, and they decided that the minutes of the company just prior to its absorption would probably contain the reasons of the company for going into this corporation, and any such discussion as that would be directly material to this inquiry and entirely within the provisions of the resolution authorizing us to make such inquiry. That is the reason why the resolution introduced by Mr. Gardner, I believe, was passed unanimously, directing the United States Steel Corporation to turn over to this committee or to Mr. MacRae the minutes of the Carnegie Steel Co. prior to its absorption by the United States Steel Corporation. Have you these minutes, Mr. Reed?

Mr. REED. No, sir; I have not.

The CHAIRMAN. Is there any objection to turning those minutes over to the committee?

Mr. REED. Just the same objection that I stated before. We have felt all along that they were really not the property of the United States Steel Corporation, and if they had to be produced it was better they should not be handed over by the United States Steel Corporaion. I will ask Mr. Farrell to answer that question.

Mr. FARRELL. I have no knowledge of the existence of any minutes.

The CHAIRMAN. Those minutes are in the custody of the United States Steel Corporation; there is no other corporation in existence?

Mr. FARRELL. These minutes would not be under my control. I am concerned with the manufacturing and commercial departments of the United States Steel Corporation, and I would have no knowledge of their existence if they did exist.

The CHAIRMAN. Who would?

Mr. FARRELL. Perhaps Mr. Carnegie; you might ask him.

Mr. BARTLETT. They have been turned over to the United States Steel Corporation?

Mr. REED. I believe not.

Mr. FARRELL. I do not know.

The CHAIRMAN. How about that, Mr. MacRae?

Mr. MACRAE. I can not answer without looking at the report and demand I made in Pittsburgh.

Mr. REED. You made the demand of the Carnegie officers?

Mr. MACRAE. Yes, sir; they were two months discussing that, and I finally received some of them, but these I have not received.

Mr. REED. I am speaking of all the subsidiary companies, and my information is that where the minutes are in existence they are in the custody of the officers of the subsidiary company itself, and that the United States Steel Corporation has never taken them over.

Mr. BARTLETT. I understood, unless I was misinformed, that one of the reasons given why those subsidiary companies could not turn over the minutes to Mr. MacRae was that they had to consult the counsel of the United States Steel Corporation and its officials.

Mr. REED. I have not heard that.

Mr. MACRAE. That was the answer made in Pittsburgh, that they would have to consult with Mr. Lindabury.

Mr. GARDNER. If I remember rightly, the reason I introduced the resolution Mr. Lindabury said to us, "We do not want to do this thing, because we are, as it were, revealing secrets that did not belong to us, but you have your own power of getting at this information if you desire to do so." Therefore we recognized his embarrassment, that the United States Steel Corporation did not want to appear to be furnishing something that might be evidence against Mr. Carnegie or somebody like that. He said, "You know how to get these things—issue a subpœna." But we have apparently issued the subpœna on the wrong person.

Mr. REED. Yes, sir.

Mr. GARDNER. Who is the right person, Mr. Farrell?

Mr. FARRELL. I can not answer that question intelligently.

The CHAIRMAN. I wrote a letter to Mr. Dinkey advising him that the committee desired these minutes, and I hoped they would be turned over to Mr. MacRae or placed at his disposal. Mr. Dinkey replied that he was a mere subordinate. "I have no discretion; those minutes are the property of the United States Steel Corporation, and you will have to see them," and then they asked Mr. Lindabury in New York for instructions as to what to do with those minutes. I understood those minutes were turned over to the United States Steel Corporation and are now in the files of the United States Steel Corporation—in the safes of the United States Steel Corporation.

Mr. REED. Is that so, Mr. Farrell?

Mr. FARRELL. I have no knowledge of it.

Mr. YOUNG. Is not this the real misunderstanding? I can understand Mr. Dinkey's attitude about turning over these minutes voluntarily. It would be entirely different from his attitude in turning them over when a subpœna was issued. It would be a natural attitude for him to take when he was asked voluntarily; but if they are actually in his custody, it seems to me that he would be the man to subpœna to produce them, unless these people are willing to do so voluntarily.

The CHAIRMAN. The reason I sent this subpœna for the president's minutes, the books show that these presidents can not spend more than $10,000 for any purpose without immediately consulting the officers of the United States Steel Corporation, and their decision is final in the matter. They are, as I understand, removable at the pleasure of the officers of the holding company and are not vested

with any discretionary authority as to the use of the books or the property of the United States Steel Corporation, and Mr. Dinkey advises us that the archives of the Carnegie Steel Co., the minutes, papers, and everything of that kind for several years prior to the absorption were taken over and became the property of the United States Steel Corporation. Now, if they are, so far as you have any control of them, Mr. Farrell, you are perfectly willing to turn them over to this committee?

Mr. FARRELL. I do not wish to indulge in any statement which may appear evasive, but I have no knowledge whatever of the existence of any minutes or documents concerning the Carnegie Steel Co. prior to the organization of the United States Steel Corporation, and if you ask me if such minutes were in existence I could not say whether they were or whether they were not.

The CHAIRMAN. What I am asking now is, assuming they are in existence, which I know, because the accountant for the committee has seen the books and knows it is in the physical custody of the United States Steel Corporation of this subsidiary company——

Mr. REED (interposing). Pardon me. I understood that Mr. MacRae had seen it in the Carnegie offices in Pittsburgh.

The CHAIRMAN. But they are now in the possession of the United States Steel Corporation.

Mr. REED. Mr. Dinkey is not.

The CHAIRMAN. He is the president?

Mr. REED. Yes, sir.

The CHAIRMAN. The president of the subsidiary company?

Mr. REED. Yes, sir.

The CHAIRMAN. And he operates under the direction of the United States Steel Corporation?

Mr. REED. In matters of discretion he looks to New York for instructions.

The CHAIRMAN. What I want to get at is this: You have no other objection to furnishing these minutes than that you doubt your ownership of them, and in so far as you have any right and interest in them you have no objection to turning them over?

Mr. REED. I think that is Mr. Farrell's position.

Mr. FARRELL. I am not familiar with it.

The CHAIRMAN. So far as the United States Steel Corporation has any right or title or interest or control of these minutes, you have no objection to turning them over to this committee?

Mr. FARRELL. If I knew where to find them, if they exist.

The CHAIRMAN. I will issue a subpœna for Mr. Dinkey.

Mr. BARTLETT. Mr. Dinkey is the president of the Carnegie Steel Co. of New Jersey?

Mr. REED. Of the Carnegie Steel Co. That is the operating company.

Mr. BARTLETT. What is his name?

Mr. REED. A. C. Dinkey.

The CHAIRMAN. The next thing I asked for were the minutes of the executive and finance committees of the Illinois Steel Co.?

Mr. FARRELL. I am obliged to make the same reply in answer to that question.

Mr. REED. Do you know whether there are such minutes?

Mr. FARRELL. I have no knowledge of them. If they exist they may be in Chicago.

The CHAIRMAN. The Illinois Steel Co. became a part of the Federal Steel Co.?

Mr. REED. Yes, sir; its stock was acquired by the Federal Steel Co.

The CHAIRMAN. The president of the Federal Steel Co. would bear the same relation to this matter as the president of the Carnegie Steel Co.?

Mr. REED. The Illinois Steel Co. has its own president.

Mr. BARTLETT. Has the Federal Steel Co. any corporate existence?

Mr. REED. Yes, sir; both companies.

The CHAIRMAN. It is a subsidiary of the Federal Steel Co.?

Mr. REED. Exactly.

The CHAIRMAN. What is the address of Mr. Dinkey?

Mr. REED. A. C. Dinkey, president Carnegie Steel Co., Pittsburgh, Pa.

The CHAIRMAN. Who is the president of the Illinois Steel Co.?

Mr. FARRELL. E. J. Buffington.

The CHAIRMAN. Of what place?

Mr. FARRELL. Chicago.

The CHAIRMAN. The next thing I asked for were the minutes of the executive and finance committees of the Universal Portland Cement. Co.

Mr. FARRELL. I am obliged to make the same reply.

Mr. REED. Do you know of their existence?

Mr. FARRELL. I stated in the beginning that I have no knowledge of any such documents.

The CHAIRMAN. Who is the president of the Universal Portland Cement Co.?

Mr. FARRELL. Mr. Edward M. Hagar.

The CHAIRMAN. What is his address?

Mr. FARRELL. Chicago.

The CHAIRMAN. The next request was for the minutes of the National Steel Co.?

Mr. FARRELL. The National Steel Co. is not in existence, according to the best of my knowledge and belief.

The CHAIRMAN. With what company was it merged?

Mr. FARRELL. The Carnegie Steel Co.

The CHAIRMAN. And when?

Mr. REED. April, 1903.

The CHAIRMAN. The minutes of the Lake Superior Consolidated Iron Mining Co. is the next one.

Mr. REED. Lake Superior Consolidated Iron Mines is meant, I suppose?

The CHAIRMAN. Yes, sir.

Mr. FARRELL. I have no knowledge of any minutes of that company or documents of that company. I have no jurisdiction or control over it.

The CHAIRMAN. Do you know anything about the minutes, Mr. MacRae?

Mr. MACRAE. Mr. Bolling was to furnish those minutes as soon as he had an opportunity to read them. That was my understanding, but he told me he had been so busy that he had not had a chance to read them, and consequently I can not get them until he had read

them. I think they are in the legal department of the United States Steel Corporation.

Mr. REED. I do not know. I have never seen them.

The CHAIRMAN. What is the status of that company at present; a subsidiary company of the United States Steel Corporation?

Mr. REED. Yes, sir.

The CHAIRMAN. These minutes are the minutes since the consolidation, and they should be furnished, at least, up to the time of the consolidation.

Mr. REED. I understand that Mr. Bolling was going through these minutes as fast as he could. He has furnished volume after volume to Mr. MacRae. It has been a tremendous labor for him.

The CHAIRMAN. And a useless one, as far as Mr. MacRae is concerned. I have no objection, but I can not see the object of having any officer of the United States Steel Corporation read a book before he gives it to us, because he can not change it.

Mr. REED. Of course not.

The CHAIRMAN. And if he can not, it is the same book when he gets through as it was before?

Mr. REED. Precisely; but we like to keep informed of the evidence the committee is receiving.

The CHAIRMAN. Of course; I am delighted to have you kept informed, but the committee can not keep a man there at $50 a day, waiting for the United States Steel Corporation to find out its own business.

Mr. REED. I understand that.

The CHAIRMAN. We will have to insist that these minutes be furnished.

Who is the president of the Lake Superior Consolidated Iron Mines Co.?

Mr. FARRELL. I can not remember offhand, but I will furnish the information before we get through; probably Mr. Fraser will be able to give the information.

Mr. YOUNG. Mr. C. D. Fraser?

Mr. FARRELL. He is the secretary.

The CHAIRMAN. When did you get the last minutes?

Mr. MACRAE. I got two sets, one purporting to be a copy.

Mr. REED. Is that all?

Mr. MACRAE. In my report to the committee it is stated. I have had the minutes of the Pittsburgh Steamship Co.; not the minutes themselves, but a copy of what purported to be the minutes, and I had another set of the minutes. Those are the only minutes I have had in three months. I have asked Mr. Bolling repeatedly for them, and his answer is that "I am very busy with the Government suit on, and I have not had time to read them."

Mr. REED. I think there was some truth in Mr. Bolling's statement that he is kept busy.

Mr. MACRAE. Why not give them to me and read them afterwards, and let me get up?

Mr. REED. Will you furnish that, Mr. Farrell?

Mr. FARRELL. I will.

The CHAIRMAN. The minutes of the Duluth, Missabe & Northern Railroad and the Duluth & Iron Range Railroad Co., the Pittsburgh Steamship Co. and the American Steel Hoop Co.?

Mr. FARRELL. I am obliged to make the same reply, Mr. Chairman.

The CHAIRMAN. We are not asking about your information concerning these minutes. You are president of the company and the legal custodian of them. Those minutes are in existence, of course, and there is no question about their keeping minutes. What we want to know is why these minutes are not furnished pursuant to the demand of the committee and whether you propose to furnish them?

Mr. FARRELL. Do you desire to know the names of the presidents of these companies?

The CHAIRMAN. No, sir. The Steel Corporation has control of these minutes, as I understand, absolutely, has it not, Mr. Reed?

Mr. REED. I do not know where the minutes are, Mr. Chairman.

The CHAIRMAN. Do you know where the minutes are, Mr. MacRae?

Mr. MACRAE. No.

Mr. REED. He said the minutes of the Pittsburgh Steamship Co.

Mr. MACRAE. I have had a copy.

The CHAIRMAN. Explain to us about that—why you would not accept that book.

Mr. MACRAE. In the first place, it was labeled "Copy," in red ink, on the cover. If you have it here, I think the best plan would be to show it to the committee and let them judge themselves.

The CHAIRMAN. Is the book here?

Mr. REED. I never saw it.

Mr. YOUNG. What is the matter with it?

Mr. MACRAE. In the first place, it was a copy. I looked through it, and on page 34 of the book, stating it from memory, is a typewritten sheet, bearing evidence of age and numbered in pencil "34" by whoever kept it at that time. The next sheet after it is typewritten on new paper, in new print, with "35" typewritten on it in figures. I said to Mr. Winslow, who handed it to me:

> It is a copy. I would like to have the original.

He said:

> That is all we have, Mr. MacRae.

Then I said:

> I have only had these few copies of minutes. As soon as you can get me some more, so that I can be employed continually, I will take the minutes up again.

From that time I have had no further minutes.

Mr. REED. I do not know where the original of that book is, who made the copy, or why it was made. It may be it was furnished to Mr. MacRae because it happened to be available and the original would be in Cleveland, in the offices of the company.

The CHAIRMAN. It occurred to the chairman that if they had time to make copies, they might have had time to read a lot of the minutes.

Mr. REED. I do not understand it, Mr. Chairman. I do not know why they should do such a thing.

The American Steel Hoop Co. was merged with the Carnegie Steel Co. in 1903, at the same time that the National Steel Co. was, and its minutes would be, I suppose, in the same custody.

The CHAIRMAN. If the president of this company—of the holding company—directs the president of these companies to turn these min-

utes over to the accountant of this committee, as I understand, he is acting entirely within his authority?

Mr. FARRELL. No. Under the organization of the United States Steel Corporation the chairman has certain functions and the president has certain functions and the treasurer has certain functions, etc.

My duties are concerned with the manufacturing and commercial departments of the United States Steel Corporation.

The CHAIRMAN. Have you not anything to do with the management of this concern as the president?

Mr. FARRELL. Not with respect to secretarial matters or anything like that. That would come under the jurisdiction of the chairman of the corporation.

The CHAIRMAN. That would come under the jurisdiction of the chairman of the executive committee?

Mr. FARRELL. There is no executive committee.

The CHAIRMAN. The chairman of the board of directors?

Mr. FARRELL. The chairman of the board of directors; the chairman of the finance committee.

The CHAIRMAN. Who is the officer of this concern who can say to me, "I will" or "I will not let you have these minutes"? That is the man I am looking for.

Mr. REED. The president of the Duluth, Missabe & Northern Railroad is——

Mr. FARRELL. W. A. McGonagle.

The CHAIRMAN. Process will be issued for W. A. McGonagle. Of what place is he?

Mr. FARRELL. He is president of the Duluth, Missabe & Northern Railway.

Mr. YOUNG. Of Duluth?

Mr. FARRELL. Of Duluth.

The CHAIRMAN. Are these minutes in Duluth or are they in New York?

Mr. FARRELL. I can not answer that, Mr. Chairman.

The CHAIRMAN. Do you know, Mr. Reed?

Mr. REED. I never saw them. I never heard of them.

The CHAIRMAN. Process will be issued to Mr. McGonagle to furnish the minutes of the Duluth, Missabe & Northern Railway Co.

Mr. BARTLETT. Would Mr. Reed agree to find out whether they are in New York or not so that we may not send a subpœna to a man who has not possession of them?

Mr. REED. I should be very glad to find out for the committee if these minutes are in New York, so that we can possibly save the expense and time of sending a man to Duluth unnecessarily.

Mr. BARTLETT. It would be useless to send a man to Duluth and find out that these minutes had been delivered to the Steel Corporation and were in New York.

Mr. REED. If the president of the Duluth, Missabe & Northern Railway had done that, they would still be in his custody, and he should get them and produce them on the subpœna. However, I shall find out whether they are in Duluth or not.

Mr. BARTLETT. Yes. That would be better.

Mr. REED. Who is president of the Duluth & Iron Range Railway?

Mr. FARRELL. F. E. House, of Duluth.

The CHAIRMAN. Who is the president of the Pittsburgh Steamship Co.?

Mr. FARRELL. Mr. Harry Coulby.

The CHAIRMAN. Where is he?

Mr. FARRELL. Cleveland, Ohio.

The CHAIRMAN. Who is the president of the American Steel Hoop Co.?

Mr. FARRELL. That company does not exist.

Mr. REED. That is part of the Carnegie Co.

The CHAIRMAN. Process will be issued for Mr. Dinkey for the minutes of the American Steel Hoop Co.

Mr. DANFORTH. When did that company go out of existence?

Mr. REED. March 26, 1903, according to my recollection.

The CHAIRMAN. The minutes of the board of directors, or the finance committee, have been turned over to Mr. MacRae, but they were turned over with a proviso of some kind—that, as to certain portions of them, copies were not to be made. I do not know whether it would be necessary to make copies of that portion. I hardly think it would. But that is to be left to the discretion of the committee.

Mr. REED. I turned those over to Mr. MacRae, as I remember it. It was in New York. The only proviso I made was that he should not permit them to be seen by any person except a member of the committee or himself.

Mr. MACRAE. They were turned over originally by Mr. Lindabury and Mr. MacVeagh and Mr. Rolling, and there are certain discussions in regard to labor matters in them, and I agreed that I would not make any copies of such matters relating to labor questions, except that I would call to the attention of the committee the fact that such discussions did exist and were contained in those minutes.

Mr. REED. I did not know about that.

The CHAIRMAN. That was turned over by Mr. Lindabury.

Mr. REED. I did notice at one time that these minutes were being used by unauthorized persons to furnish reading material.

The CHAIRMAN. I have no desire to have any of this material used in that way, of course.

Mr. REED. I did not mean to intimate that it was done with your authority, or with that of the committee, of course, Mr. Chairman.

The CHAIRMAN. I will say that when Mr. Gary was on the stand he expressed the utmost willingness to have any and every book, paper, and document made public, and the books were brought here in this room. I sent the books into my office with the gentleman who was the custodian of them. He was never away from them, as far as I know. While he was in with the books and they were on the table somebody came in my office and went to reading them. I went in there and saw the gentleman reading the minutes of the company in the presence of the custodian authorized by the Steel Corporation, and I told him that ought not to be done. That was the end of the matter.

I have no desire to have anybody not directly connected with the committee investigate or read these minutes, and I should much prefer to have them turned over to duly accredited agents and investi-

gators of this committee than to have them turned over to me, because I do not want to be bothered with them.

Mr. REED. I did not mean to say that the chairman had sanctioned anything of that kind; but we did not want a repetition of that occurrence.

I will produce the books here, and if the chairman sees fit they may be treated just like these profit-and-loss statements. We will take them to New York, and they will be there for Mr. MacRae's examination.

The CHAIRMAN. That will be all that is required.

The next subpoena was:

Letter from Mr. J. A. Farrell, export sales agent, American Steel & Wire Co., to William E. Corey, dated July 27, 1903.

Mr. FARRELL. Mr. Chairman, I have made diligent search for such a letter, if such a letter ever existed.

My recollection is that at that particular time we were considering the formation of the United States Steel Products Export Co., for the development of the export business in the markets of the world.

I think at that time, as I recall it, I submitted a number of suggestions as to the manner of organizing this company, establishing branch offices, and the concentration of the sale of materials through this single company. I have a rather distinct recollection of it. However, I have made a diligent search for that letter, and I can not locate it.

Mr. BARTLETT. Did you keep a copy of it?

Mr. FARRELL. No, sir.

Mr. REED. You have searched for a copy, too, have you not?

Mr. FARRELL. I do not remember that I made any copy. Those were matters of routine. Frequently I would scratch an idea on a pad and send it in with some statistics; and the probabilities are that, in view of the importance of the matter, the finance committee at that time having under consideration the formation of this company, it may have been treated in that way. It may not necessarily have been a letter. It may have been a memorandum. It had to do, no doubt, with the formation of the United States Steel Products Export Co., which was organized on October 1, 1903, a few months after this question was under discussion.

Mr. BARTLETT. But, Mr. Farrell, it appears from the report of the expert accountant that some reference is made to this particular letter in the minutes of the Steel Corporation.

Mr. FARRELL. Very likely.

Mr. MACRAE. I could not get it from any other source?

Mr. FARRELL. No.

Mr. BARTLETT. And if it assumed enough importance for that——

Mr. FARRELL. It was rather important.

Mr. BARTLETT. If it assumed enough importance to call for consideration by the Steel Corporation in its board of directors, or the finance committee, so that they referred to it—not only to the letter but to certain suggestions made in the letter—it would seem that the Steel Corporation, or its executive body that considered the matter, had this letter before it. Therefore it would leave the reasonable inference that the letter was amongst the papers of the Steel Corporation.

Mr. FARRELL. It was an important matter, Mr. Bartlett, for the reason that for a period of three years, or rather from the very beginning of the United States Steel Corporation, the question was constantly under consideration of concentrating the sales of materials for export in the hands of one company.

Shortly after the corporation was formed, this matter, of course, became one of considerable concern, because all of these companies had offices in different parts of the world. For example, in London the Carnegie Steel Co. had its own offices, the Illinois Steel Co. had its own offices, the American Steel & Wire Co. had its own offices, the American Sheet & Tin Plate Co. had its own offices, and so on, in every part of the world. It was an important matter, as I remember distinctly the gradual evolution of the whole proposition. There may have been several letters.

Mr. BARTLETT. But this is a letter of a particular date to which your attention was called.

Mr. FARRELL. Yes; I notice that.

As I said, the company itself was formed a few months after that date. October 1, 1903, the company came into existence.

Mr. BARTLETT. What connection had Mr. Corey with the Steel Corporation at the time you wrote the letter, or at the time the letter was discussed?

Mr. FARRELL. He was the president of the corporation at that time.

Mr. BARTLETT. You can not find that letter?

Mr. FARRELL. I have made diligent search for it. I do not really think it is material. I shall look further for it.

I do not want you to think, gentlemen, that this letter contained anything that we are desirous of concealing.

Mr. BARTLETT. Oh, I do not think that.

Mr. FARRELL. I could almost tell you, offhand, my recollection of the contents of such a letter or parts of letters that were written at that time concerning that company.

Mr. BARTLETT. Suppose you do that, the letter having been lost, and inasmuch as you are not able to find it.

Mr. FARRELL. I called attention to the fact, as I recall it, that a number of these companies had various offices in various cities throughout the world, and that one of the benefits to be derived from the formation of this company was the consolidation of these offices. For example, as I said, in London there were five separate offices in different parts of the city; there were two or three in Yokohama, two or three in Buenos Aires, two in Johannesburg, two in Bombay, three in Melbourne, and so on all over the world. That was one of the questions. The other was the matter of selling in a collective way the products of all the companies; that is, instead of selling, we will say, wire products to a consumer in Salvador, we would be in a position to offer him not only wire products, but pipe and rails, or tin plate, or sheet iron, or any of the diversity of products manufactured by these various companies.

The idea was to consolidate or concentrate the sale of these different materials in a single way.

Mr. BARTLETT. To save expense?

Mr. FARRELL. In the interest of economy.

Mr. REED. I would like to add to what Mr. Farrell said that last summer Mr. MacRae asked for these two letters, and at the same time

he asked for a great lot of others, and a diligent search was made then by the clerks in Mr. Farrell's office.

Mr. FARRELL. I knew nothing about these men looking for the letters at that time.

Mr. REED. And the search was made through the files of Mr. Corey's office, and we could not find it and so reported at that time. That is twice we have tried to find the letter.

The CHAIRMAN. The next item on this subpœna is:

Letter from J. A. Farrell in reference to importation of iron and steel, referred to in minutes of the finance meeting April 11, 1905.

You have the meeting minutes of the finance committee here, have you not?

Mr. REED. Yes.

The CHAIRMAN. Let us have them, please.

Mr. REED. The minutes of the finance committee, April, 1905?

The CHAIRMAN. April 11, 1905. You may go ahead with your statement with reference to that, Mr. Farrell.

Mr. FARRELL. I have been unable to locate any letter that will identify that particular matter. I have a recollection, however.

It had been my custom to furnish to the president of the United States Steel Corporation a statement of the importations of materials into this country, the various products.

I recollect furnishing him about that time with a statement of the importations of pig iron, bars, iron materials, tin plate, etc., for the calendar year 1903 and also for the calendar year 1904. That information, of course, was gathered from the statistical publications of the Department of Commerce and Labor.

Mr. REED. Shall I read these minutes, Mr. Chairman?

The CHAIRMAN. Just let me have the book.

The book was handed to the chairman.

The CHAIRMAN (reading):

The president read a letter from Mr. J. A. Farrell on the subject of importations of iron and steel in 1903 and 1904, and suggesting a plan by which this company might keep in touch with future sales of imported iron and steel in this country.

On motion, and by the affirmative vote of all present, the subject matter was referred to the chairman of the board and the president, with power.

Is that letter in existence now, Mr. Farrell?

Mr. FARRELL. No; but I recall, now that you read the minutes, that up to that time we had no statistical department, and as a result of that communication we organized a statistical department, of which Mr. Hughes, the gentleman on my left, was in charge.

The CHAIRMAN. The letter itself can not be located?

Mr. FARRELL. It may not have been a letter. It may have been a memorandum.

The CHAIRMAN. The minutes say it was a letter.

Mr. FARRELL. It was a natural thing, from time to time, for our directors to make inquiry as to the amount of material being imported into the country, and occasionally some of our people, subordinates and officials, were embarrassed by reason of not being able to make an intelligent report. So we conceived the idea of organizing a statistical department. I remember at that time we started by compiling the statistics that were furnished from month to month

by the Department of Commerce and Labor. Those are the statistics for the calendar months in 1903 and 1904, contained in the paper which has just been handed to you.

The CHAIRMAN. You have made a search for that letter? Do you know whether the company has?

Mr. REED. The same can be said of this letter as of the preceding one, Mr. Chairman. We tried to find it for Mr. MacRae last summer, and could not find the original or any copy.

Mr. FARRELL. I think it was a memorandum.

The CHAIRMAN. The statistics which have just been referred to will be placed in the record.

The statistics referred to are as follows:

United States imports.

YEAR ENDING DEC. 31, 1903.

	Tons.	Value.
Iron ore	980,440	$2,261,008
Pig iron	599,574	11,173,202
Scrap iron	82,941	1,273,941
Bar iron	43,616	1,904,469
Railway bars	95,555	2,159,273
Hoop, band, scroll	1,536	74,898
Ingots, blooms, etc	263,651	7,331,289
Sheet, plate, taggers	11,785	537,273
Tin plate, etc	47,739	2,999,282
Wire rods	21,003	1,028,977
Wire, and articles made from wire	5,058	728,430
Structural	8,936	256,205
	2,161,834	31,728,386

YEAR ENDING DEC. 31, 1904.

Iron ore	487,613	$1,101,384
Pig iron	79,500	1,765,107
Scrap iron	13,461	189,506
Bar iron	21,078	918,842
Railway bars	37,776	808,775
Hoop, band, scroll	2,151	60,934
Ingots, blooms, etc	10,857	1,535,943
Sheet, plate, taggers	4,198	202,500
Tin plate, etc	71,217	4,354,761
Wire rods	15,485	707,779
Wire, and articles made from wire	3,487	624,882
Structural	7,360	210,936
	754,213	12,581,350

The CHAIRMAN. The next item on the subpœna is a schedule of principal products of the organization at present prices submitted at the finance committee meeting, United States Steel Corporation, April 27, 1909, by the president.

Mr. REED. I have already here, and will submit it to Mr. MacRae in New York, or give it to you now, that information.

The CHAIRMAN. Is that the document with a number of blanks in it?

Mr. REED. I do not remember any blanks.

Mr. MACRAE. I do not think so, Mr. Chairman. That is later on, I think.

The CHAIRMAN. That document will be furnished?

Mr. REED. It will be turned over to Mr. MacRae.

The CHAIRMAN. The next item on the subpœna is [reading]:

Statements B and C, referred to in letter to Mr. William E. Corey, president United States Steel Corporation, from Mr. J. A. Farrell, president United States Steel Products Export Co., and dated November 5, 1909, which statements were withdrawn from the documents furnished Mr. F. J. MacRae and marked "X." The figures for "average costs" contained in the report of the presiding officer at the nineteenth meeting of the directors of the United States Steel Corporation, October 7, 1902, and referred to in statement furnished to F. J. MacRae and marked "Document X."

Is that the document where you left the costs blank?

Mr. FARRELL. We have that, Mr. Chairman.

Mr. REED. Both of those I have here, and I will take them to New York and give them to Mr. MacRae on demand, like the others.

The CHAIRMAN. With the blanks filled out?

Mr. REED. Just as they were submitted to the finance committee.

The CHAIRMAN. The next item is:

Maximum and minimum production costs of the principal products of the subsidiary companies of the United States Steel Corporation, to wit: Cost sheets showing the production cost of Bessemer pig iron, basic pig iron, Bessemer steel ingots, open-hearth steel ingots, standard Bessemer rails, standard open-hearth rails, Bessemer and open-hearth blooms and billets, sheet and tin-plate bars, heavy structural shapes, universal plates, sheared plates, and wire rods for all northern furnaces. The same for all southern furnaces; also mill-cost sheets showing in detail the cost of production of pig iron and steel ingots, rails, blooms, and billets, sheet and tin-plate bars, structural shape plates, etc., at Edgar Thompson Works, Bessemer, Pa.; Duquesne Works, Cochran, Pa.; Homestead Works, Monhall, Pa.; Lucy Furnaces, Pittsburgh, Pa.; Gary Works, Gary, Ind.; South Works, Chicago, Ill.; and also the Southern Furnaces—these statements of ore cost to show cost of ore in ground and cost of transportation by land and by water and dockage charges.

Mr. REED. It seems evident that nothing is omitted there, Mr. Chairman.

If I may answer for the witness, on December 18 we turned over to Mr. MacRae a statement of the production cost, giving the average costs at the northern plants, and I have Mr. MacRae's receipt for that here, if the committee would like to see it.

The production cost for the southern plant—there is only one—I have here, and I will take these statements to New York for Mr. MacRae.

Mr. MACRAE. The statement for which you have my receipt has been turned over to the chairman of the committee, and this further request was made for maximum and minimum costs.

The statement referred to proved not to be complete, because depreciation charges and general expenses were not included.

Mr. REED. The statement will be available for Mr. MacRae, Mr. Chairman.

Mr. MACRAE. The things now asked for are the cost sheets from which those compilations were made—the direct cost sheets at the mill, in other words, showing the detailed cost.

Mr. REED. As I understand, you want to verify the compilations that were given?

Mr. MACRAE. It is not exactly a verification. They were sheets showing the cost of these various products at the different places—at the Carnegie works, the Homestead works, and the Gary works.

Mr. REED. That is another matter. We are talking about the sheets that were furnished.

Mr. MACRAE. We got those. Mr. Farrell knows what we want, I think.

Mr. FARRELL. Is it the purpose of the committee to publish these detailed costs in the proceedings? If it is, Mr. Chairman, I think it is a gross injustice to an industry that is endeavoring to build its business up all over the world in competition with the German industry, with the Belgian industry, with the British industry, and every other European steel-producing country, all employing men who are receiving 60 per cent less wages than we pay to our men. In other words, the wages paid American workmen employed in the steel industry are about two and one-fifth times the wages paid to the workmen employed in the steel industry in European countries. This sort of thing may be, perhaps, proper, or considered proper, in diplomatic work—to acquire secrets in this way—but if you propose to show to the world and to the manufacturers of Germany, Belgium, and other countries the absolute detailed costs of an industry such as ours, with information of that kind in their hands, our foreign business would not be worth anything in the course of time.

I think if there is any desire on the part of the committee to examine these costs, there is no objection on our part to exhibiting them for such examination, but I think it would be an injury to the industry, whether it is our industry or the industry of our competitors, to publish these costs to the world. They would go to every competing industry throughout the world.

Mr. BARTLETT. How else could you determine the difference in costs of production here and abroad, for certain purposes of taxation? It has been said to be the theory upon which taxes are to be laid, under a certain theory, that in order to levy taxes for the maintenance of the Government, to obtain proper revenues, the proper way to do it was to consider the difference in the cost of production at home and abroad, and then a reasonable return to the manufacturer upon his business. How else could Congress, pursuing that theory of raising revenue, or taxing for the Government, find out, except by an examination into the difference in the costs to you and to the people abroad?

Mr. REED. Congress need not take the details and publish them.

Mr. FARRELL. Of course, this information that you are asking for has been furnished to the Bureau of Corporations.

Mr. BARTLETT. Recently?

Mr. REED. Yes, sir.

Mr. FARRELL. I know that they have had large numbers of people in the various departments of our companies for the past six years. I know that it has cost us perhaps over half a million dollars to compile the information that we have given up to the present time to the Bureau of Corporations.

Mr. BARTLETT. Since the publication of this report?

Mr. REED. Since the Bureau of Corporations started its investigation of the steel industry, it has cost us over half a million dollars to give them information.

Mr. BARTLETT. I do not doubt that. Do you mean that information has been furnished since the publication of this report by the Commissioner of Corporations?

Mr. FARRELL. Is that a complete report?

The CHAIRMAN. No.

Mr. REED. I think Judge Bartlett has the preliminary summary.

Mr. BARTLETT. Yes.

Mr. REED. Since the publication of that a great deal additional information has been furnished.

The CHAIRMAN. Nothing along that line?

Mr. REED. On the matter of costs.

The CHAIRMAN. Here is the trouble with the Bureau of Corporations: Mr. Herbert Knox Smith has received $500,000 worth of information under this sort of an agreement, signed by the commission—I quote the exact receipt:

Received of the United States Steel Corporation schedule and statistical statements covering portions of the ——— Co.—

The Carnegie Co., or whatever it was—

Properties for the year —— as enumerated, the schedules annexed hereto. The schedules and statistical statements above referred to are received with the understanding that they are merely loaned to me for my inspection and consideration, and I will not make literal copies thereof for the files of any department of the United States Government; that said schedules and statements shall be returned to the United States Steel Corporation as soon as I have completed inspection of the same and in any event prior to —— day of ———.

That is the form of that receipt.

I went down to see Mr. Herbert Knox Smith, and I asked him to take me into his confidence and tell me what it cost to produce a ton of pig iron.

He advised me that he could not do it; that he could not tell anybody but the President.

I said, "Will you go with me to see the President and tell the President while I am around? And I will bring Mr. MacRae up there."

We had a little meeting, the President and Mr. Herbert Knox Smith and representatives of this committee, and the President seemed to have no earthly desire to make a deep and mysterious matter of this profound knowledge of the cost of producing pig iron. In fact, he said he did not remember anything that Mr. Smith had ever told him and he did not remember to have ever had Mr. Smith tell him anything. As it afterwards turned out, he had not, either to him or to Col. Roosevelt.

I then went to see Mr. Smith, after having obtained the permission of the President to share his confidence about the cost of producing steel products, and he then told me that he did not have the information, except in his head, and he could not remember all those things, and that he had returned, under the provisions of this receipt, all these costs to the United States Steel Corporation.

Then I went back to the United States Steel Corporation and asked them to give me a peep at these sheets which they turned over to Mr. Smith. Then they objected on the ground that such information would seriously embarrass them in their business.

So that the result is that while there are five or six volumes of schedules or things that you furnished—there must have been a cartload of them——

Mr. FARRELL. Trainloads.

The CHAIRMAN. Trainloads; they departed like the Arabs, and left no trace behind in the archives of the Government.

It is very material to this committee to know something about the cost of production.

I can assure the president of the steel corporation of the chairman's sincere desire to protect this industry from the publication of any matters touching the intimate details of its business that are not essentially necessary. I do regard it, however, as of the utmost, vital necessity that this committee should know, from the most direct, authentic, and original documents, just what it costs the steel corporation to produce these various products. On that proposition and around it are based the most vital conclusions of this committee and the most vital inquiries of the economists in this country. You have one school teaching that the costs of production are materially decreasing, that the economies of manufacture are multiplying, and that the consumer is infinitely benefited by the formation of concerns like the United States Steel Corporation through economies in transportation, economies in production, economies in the sale of the product, economies in the elimination of middle men, economies in labor.

On the other hand, it is contended by political economists of equal merit that the overhead charges of a concern of this kind are enormous; that, as Mr. Carnegie explained fully here the other day, a partnership where each man has an individual interest and is not a mere employee of the company watches the spigot of expense with more diligence than the man who is president or secretary to-day and will ultimately be out of the business; and that economies of production are lessened under a partnership, hampered as it is, so that it can run all around a corporation.

The solution of that question is the fact of the cost of production. That fact we must know; and, as far as the chairman of this committee is concerned, come what will, we will know it, if there is power enough in the Federal Government to find out.

Mr. REED. In answer to that, Mr. Chairman, I want to say that although we have not found anything in the resolution creating this committee which seems to authorize an investigation of costs, there is not the slightest objection on the part of the steel corporation to this committee having the fullest knowledge on that subject. We do not want, if we can avoid it, to let that information go out in all its details to our competitors here and our competitors abroad, however.

We have, with continuous work of four of the best cost clerks of the corporation, for five weeks made a compilation of these cost sheets, which has been furnished to Mr. MacRae.

We are perfectly willing to let Mr. MacRae come into the corporation offices and see the original cost sheets from which that is made up, and satisfy himself to the utmost that what we have given him in this summary or compilation is a fact.

If it is possible, however, for this committee, by using that compilation verified by him from the original documents, to satisfy itself as to the costs, it will be of great help to the industry.

It ought not to be necessary to make public all these intimate details of the operation of the company, although we are perfectly willing to make it known to the committee. Mr. MacRae can check these statements that we have here or in New York at any time that he wants to. Like these other papers, he will have access to the origi-

nals when he wants them; but the summary is complete, and it will advise the committee better probably than this mass of detail, which it would take a week to begin to study and understand. The committee, I know, can not spare the time to go into all these original costs.

Mr. BARTLETT. Do you mean to say that these details will develop some trade secret as to production?

Mr. FARRELL. May I give you a concrete example? Because that sometimes is capable of elucidation, whereas an abstract discussion is not.

Suppose, for example, we knew the cost of a mill in Westphalia producing a commodity that we are desirous of selling, we will say, in Chili. We maintain an office at Valparaiso. If the German Government published a detailed and itemized statement of the cost of producing bar steel, mine rails, pipe, wire products, tin plate, and so on, it would be a very simple thing for us to sit down and figure as to whether we were going to be able to compete with the German manufacturer, at Valparaiso. That is exactly the information that the German and Belgian and Austrian and Russian manufacturers, who are now exporting millions of tons of material a year, are seeking to ascertain. They are doing their best to ascertain our cost of production. They know we are a country producing an enormous quantity of pig iron and materials of that character. As a matter of fact, we have to-day a productive capacity of 40,000,000 tons a year of pig iron, and we have never been able to sell, in any one year, over 27,000,000 tons of pig iron. I think in 1910 the total production of the country—not of the Steel Corporation but of the whole country—was 27,300,000 tons of pig iron.

If these costs of production, after years of effort and of inventive genius, and as a result of the efficiency of our workmen, who have been rewarded from time to time when they discovered anything of value in metallurgical research or——

Mr. BARTLETT (interposing). My point is this: Would an exhibit of the cost of production give evidence of some invention or trade secret that your men, by reason of their experience and genius, have ascertained, that reduces cost?

Mr. FARRELL. Absolutely.

Mr. BARTLETT. That particular thing I have no desire to publish.

Mr. FARRELL. It would be what a lawyer might call—I am not familiar with the legal terms——

Mr. BARTLETT. A confidential communication with his client?

Mr. FARRELL. Yes; and to some extent, perhaps, what might be called the fiducial point.

Mr. REED. It would be a very crucial point, certainly.

The CHAIRMAN. If this committee should make the statement, after careful examination of your books, that you could produce pig iron, without stating where, at $6 a ton; that you could produce rails at $18 a ton—I am just guessing at these costs——

Mr. FARRELL. I understand.

The CHAIRMAN. Or tubes at $25 a ton; billets at $20 a ton; would that statement do you any material harm, unless with that statement were published the details by which that economy was secured and that low cost obtained?

Mr. FARRELL. Mr. Chairman, if as a result of this investigation or any other publicity, which, of course, we have always courted, it is found that the conduct of our business is along the lines of principle and justice, I think that, as an industry, we ought to be protected from the loss of business that would result from the exhibition of any cost of production.

We employ, at the present time, in the manufacture of goods for export to foreign countries 40,000 men. Of our total number of employees, upward of 40,000 men are to-day engaged in our mills in the production of these materials to be sold all over the world. We maintain 58 foreign sales offices, employing men who have been trained in our business—not foreigners, but Americans.

We are paying out in wages in the production of materials that are sold for export nearly $40,000,000 a year. Irrespective of whether we sell materials to foreign countries at a lower price than we do in this country, the workmen in the mills receive the same wages and the same returns for the production of that material sold for export as they do for the production of materials sold in this country.

I am trying to protect, if I can, our employees. I have been an employee and I have worked for 18 years in the mills, and I know what it means to have information of that character spread broadcast all over the world. I know what advantage it would be to me, personally, if I knew what an Austrian manufacturer could deliver materials at Calcutta for—if I knew what his cost was.

Mr. GARDNER. You could then figure out his bid beforehand?

Mr. FARRELL. To a fraction, if I knew what his cost was, because it would be the sum total of his cost of production and the ocean freight, which is a very simple matter to find out. It is easy to find what his freight is from Fiume or Trieste to Calcutta or Bombay or Singapore.

The CHAIRMAN. The fiscal policies of two great political parties have been founded upon a basis of sand, then, in the light of what you have told us.

In platform after platform it has been stated that the foundation of all tariff legislation shall be the cost of production and such a duy as will equalize the cost of production at home with that abroad, with a fair incidental profit. A great many Democrats have taken the postion that where the cost of production at home is greater than the cost of production abroad, the home manufacturer is entitled to advantages in the way of a duty which shall equalize the two costs without giving the manufacturer any incidental profit. But schedule after schedule has been written for years upon the hypothesis that there was that confidence between the maker of the law and the maker of the material that the law was protecting which would enable the writer of the law to know how to apply this salve of protection to the manufacturer of the product; and that knowledge was based, fundamentally, upon some apprehension of the cost of production. If that is a deadly, sacred secret, to be sacred above all things else, we have been for 30 years in this country stumbling blindly around without knowing how to help you because you did not dare to tell us.

What are you going to do with your tariff idea, your effort to equalize the cost of production at home and abroad, if you do not know that which is the principal item in that whole equation?

Mr. FARRELL. You would not arrange the tariff schedule on the basis of cost of production of the United States Steel Corporation, without any regard to the manufacturer who might be situated at Baltimore or at Pensacola or Mobile or San Francisco?

The CHAIRMAN. But if the manufacturer at Pensacola, Mobile, or any other point entered showed the same reticence and hesitancy about telling the makers of the law about the cost of his production we would be in as bad a fix. Is there any reason why it would not hurt an independent manufacturer to tell the cost of his production as much as it would hurt the Steel Corporation?

Mr. REED. Mr. Schwab showed that he did not want to tell.

The CHAIRMAN. He said he did not care.

Mr. REED. He said he did not care to tell?

The CHAIRMAN. No; he said you told each other freely.

Mr. REED. Ah, yes.

The CHAIRMAN. At home and abroad, just exactly what your cost of production was.

I have not the statement before me, but it has been sent for. My memory is perfectly clear upon it, that Mr. Gary for several hours entertained the committee and the country with a delightful recital of the absolute and perfect confidence that existed between steel makers, and told us how these meetings were held, not for the purpose of fixing prices, but for the purpose of enlightening each other as to the most intimate details of his business.

Mr. REED. I do not know that Mr. Schwab said we were enlightening foreign competitors.

The CHAIRMAN. He said the foreigners knew just exactly what it cost. I asked if he cared if people knew what it cost him to produce these things, and he said no, if I remember correctly.

Mr. YOUNG. I do not think the committee got very much information from Mr. Schwab as to what it cost him.

Mr. BARTLETT. You already know a good deal about what it costs foreigners to produce, do you not?

Mr. FARRELL. We are trying all the time to ascertain, as they are trying to ascertain our costs.

Mr. BARTLETT. Have you not already ascertained it?

Mr. FARRELL. In general, nearly; but we do not know their real costs.

Mr. BARTLETT. What, ordinarily, does it cost in Germany to produce a ton of pig iron?

Mr. FARRELL. It would depend upon the district in which the iron was produced. I should say in the Lorraine district they might produce pig iron for perhaps $7.50 or $7 a ton. There are other disadvantages, however. The German Government, through its system of railways and its special freight rates and subventions and special rates through canals and the transportation system generally, enables the German manufacturer to compete at a laid-down cost that is below ours.

Mr. BARTLETT. Are the items as to the location of your plants and the cost of transportation to and from your mills things that you want to keep secret?

Mr. FARRELL. No; the cost of transportation to and from the mills is a public matter. That is covered by the freight tariffs.

Mr. BARTLETT. The reason I asked that question is that you suggested that they entered into the matter in your reference to the German concerns.

Mr. FARRELL. I say it makes it all the more difficult for us to compete with them, because, while they start out with a lower cost of production, they also have the advantage of cheaper transportation.

Mr. BARTLETT. It is necessary for you to meet that advantage in some other way?

Mr. FARRELL. If we can.

Mr. BARTLETT. And you have done so so far, have you not?

Mr. FARRELL. In some markets; but there are many markets in which we are absolutely unable to compete.

Mr. BARTLETT. Has not the export business in the last year—in the last month—in steel products increased wonderfully?

Mr. FARRELL. Oh, yes. At the beginning of the formation of the United States Steel Products Export Co., the total export business of all the companies was 200,000 tons a year. Last year our total exports were 2,000,000 tons.

Mr. YOUNG. You mean the Steel Corporation's exports?

Mr. FARRELL. The Steel Corporation itself; yes. Our exports have grown from $6,000,000 a year to $70,000,000 last year.

Perhaps you gentlemen can remember that, I think, perhaps 10 years ago, the exports of cereals in this country were upward of $60,000,000. I think last year they were less than $6,000,000.

Mr. MCGILLICUDDY. On this matter about which the chairman was inquiring of you: How is a man here in Congress, without personal knowledge of your business, going to comply with the request of your people that you ought to have an amount of tariff to equalize the difference in the cost of production here and abroad if you will not let us know what the cost of production here is? How are we going to get at it?

Mr. FARRELL. Of course perhaps you may misunderstand me, Mr. McGillicuddy.

Mr. MCGILLICUDDY. I do not wish to do so.

Mr. FARRELL. We have no objection to this committee knowing what our costs of manufacture are. I presume we have no objection to numbers of other people knowing them, but the point I am trying to make is that I think it would be an injustice to the industry if our costs of production were published and scattered broadcast through Westphalia, Birmingham, Budapest, and all over the producing world.

Mr. MCGILLICUDDY. If we do not know what the cost is, how are we, this next week, going to vote intelligently on a tariff on iron and steel? You know it and will not produce the information. How are you going to advise us as to voting on a tariff that will equalize the difference in the cost of production here and abroad?

Mr. FARRELL. It is a very difficult subject, Mr. McGillicuddy.

Mr. MCGILLICUDDY. How have they always done it before, if you have never disclosed what your cost of production was here, and if you always got a tariff that equaled the difference between the cost here and the cost abroad? Have you guessed at it?

Mr. FARRELL. No. We have always furnished information to the Ways and Means Committee or to any committee of Congress.

Mr. McGILLICUDDY. Has such information as you have refused to furnish here been furnished to any Ways and Means Committee?

Mr. REED. We have not refused anything, Mr. McGillicuddy.

Mr. McGILLICUDDY. You say you would not like to furnish it and have it made public.

Mr. REED. We do not like to have the committee make it public.

Mr. McGILLICUDDY. I understand you.

Did you furnish it to the Ways and Means Committee with the understanding that they should not make it public?

Mr. FARRELL. No; but when the Ways and Means Committee were seeking information with respect to the costs of production they sought information from all the manufacturers in the industry. A manufacturer at Baltimore might, perhaps, by reason of his geographical position, have higher costs than we had, or a manufacturer at Seattle might be using Chinese pig iron, and he might be in a different position than we are. Of course, the tariff is a difficult proposition, because at the present time, under the Payne-Aldrich tariff, the entire Pacific coast business has been lost to the iron and steel manufacturers of this country.

The consumption of pig iron on the Pacific coast at the present time is entirely Chinese iron.

Mr. BARTLETT. By reason of the reduction on the ore?

Mr. FARRELL. No; on pig iron. It was reduced from $4 to $2.50. The freight from Hankow to San Francisco or Tacoma or Seattle on pig iron is approximately $1.50 a ton, because vessels go out with wheat, flour, and other products, and they either come back in ballast or take this Chinese pig iron.

I understand there is a Chinese exclusion law on the statute books that prevents the immigration of Chinese; but here is a situation where their product comes here in competition with the industries and workmen of this country.

Of course, you realize that the wages paid to Chinamen around a blast furnace are 15 cents a day. Mr. Morton Frewen, one of the greatest authorities on Chinese affairs, has repeatedly told me that $5 will pay the wages of 30 workmen around these furnaces at Hankow; and the general manager of those works, Mr. Lee—not a Chinaman, but an Englishman—has also made the same statement to me.

Since the Payne-Aldrich duties went into effect there has been no pig iron sent from the South. The iron always went from the South—Birmingham and other places—to the Pacific coast. The Chinese pig iron is a very high-grade iron; they have splendid ores in the Yangtse Valley, and it has absolutely shut the American iron out.

Mr. GARDNER. In consequence of the lower duty?

Mr. FARRELL. To some extent.

For example, Chinese pig iron to-day has been sold on the Pacific coast at $18.50 a ton duty paid.

Mr. GARDNER. What is the duty?

Mr. FARRELL. $2.50.

Mr. DANFORTH. Has the Ways and Means Committee of the present Congress inquired of the iron merchants in this country—the manufacturers—so far as you know, in regard to the costs?

Mr. FARRELL. No. I understand that the Ways and Means Committee are not going to have any session on this proposed bill.

Mr. GARDNER. Any hearings, you mean?

Mr. FARRELL. Pardon me; I mean any hearings.

Mr. DANFORTH. So that, so far as the present Congress is concerned, it is not a practical question to find out the costs in this question.

Mr. FARRELL. No.

Mr. DANFORTH. If they prepare a schedule, they will prepare it from some information that they now have?

Mr. FARRELL. I am not in a position to answer intelligently as to where they obtained their information, if they have obtained any.

Mr. DANFORTH. So far as you know, it has not been asked of your corporation or of other manufacturers?

Mr. FARRELL. No.

Mr. BARTLETT. Does it cost any more to produce pig iron or steel products now than it did in 1909?

Mr. FARRELL. Does it cost more?

Mr. BARTLETT. Yes.

Mr. FARRELL. In what year?

Mr. BARTLETT. 1909.

Mr. FARRELL. Yes, sir; I should say that it costs us fully 50 cents a ton more; and that 50 cents a ton is solely due to the fact—you are speaking of our corporation?

Mr. BARTLETT. I am speaking of the general production of pig iron.

Mr. FARRELL. We estimated, within a few weeks, that we had expended for safety appliances in our mills during the last year something over a $1,000,000, and pension——

Mr. BARTLETT (interposing). You mean the overhead charges have increased?

Mr. FARRELL. Yes; because of the welfare work that we are doing among our workmen.

Mr. BARTLETT. That is permanent work. That will adjust itself in a short while?

Mr. FARRELL. If something else does not come along that requires further consideration.

Mr. BARTLETT. The Ways and Means Committee of the last Congress did have a number of very eminent gentlemen before it who gave evidence as to the costs of the products of all this iron and steel business.

Mr. FARRELL. Yes; and I should say that, in a general way, that information is approximately correct, with the exception that there are instances, as in the pig-iron industry——

Mr. BARTLETT (interposing). That was the reason I asked the question whether or not, generally speaking, the production of pig iron and iron and steel products had shown an increased cost materially since 1909?

Mr. FARRELL. Was my answer satisfactory?

Mr. BARTLETT. Yes.

The CHAIRMAN. Suppose this committee should conclude that it did not desire by law to force the manufacturers on the Pacific coast to use domestic pig iron, but at the same time we wished to have the pig iron sold to them at the lowest possible sum consistent with the exclusion of the foreign product; that we did not want any Chinese pig iron or any German pig iron or other kinds of pig iron to come

into this country; but we did not want, in excluding that pig iron, to raise the price of pig iron 10 cents, 15 cents, or $1 above the lowest amount that would exclude it, because that would tend to unnecessarily increase the cost to the consumer everywhere. We would have to know, then, approximately the cost of producing and transporting Chinese pig iron, and we would have to know the cost of producing and transporting American pig iron, would we not? Would not that be necessary in order to grant you that relief?

Mr. FARRELL. Yes, sir.

The CHAIRMAN. If you will not tell us, how can we help you?

Mr. FARRELL. I am not complaining about the importation of Chinese pig iron or of Belgian pig iron or of Middlesborough pig iron. I am merely citing the condition that exists under the present metal schedules.

The CHAIRMAN. Would you not prefer to sell that pig iron yourself?

Mr. FARRELL. Yes; but there is a whole zone in this country where, under the Payne-Aldrich law, if the mills in Europe were not as busily occupied as they are now, importations of material into this country would be enormous. I prepared a map a short time ago which I worked out from data which I had obtained from a series of years, showing that a certain zone of the country would be entirely on a free-trade basis if these enormous capacities of Europe were unoccupied. Fortunately for us, at the present time they are very busy.

Mr. BARTLETT. Are they not at the present time busier than they have been for years?

Mr. FARRELL. They are.

Mr. BARTLETT. Is it not a fact that not only the steel corporation but what we call the independents have booked orders and business more than at any other time in recent years?

Mr. FARRELL. Judge Bartlett, for a period of two years there has been a certain hesitancy in business, and the business of the country has been sort of damming up or banking up. The necessities of the buyers throughout the country have become so acute that there has been a considerable impetus to the business, and it is a fact that we are now busier than we have been for a period of perhaps 18 months. We have started some furnaces that have not been active for two years, I think.

Mr. BARTLETT. Is it not a fact that the Carnegie Steel Co. now has all of its open-hearth furnaces in commission?

Mr. FARRELL. That is correct.

Mr. BARTLETT. And by the end of this month the steel corporation will have between 87 and 90 per cent of its capacity active?

Mr. FARRELL. No; that is not correct. But the statement is correct that the Carnegie Steel Co. have at the present time all their open-hearth furnaces in operation. The other statement is a surmise.

Mr. BARTLETT. I do not always take the newspaper statements as correct.

Mr. FARRELL. Nor do I.

Mr. BARTLETT. I saw the other day, when I was in New York, from what purported to be reliable sources, in a business paper, that the steel corporation had 700,000 tons of steel more contracted for than they could supply.

Mr. GARDNER. Is that so, Mr. Farrell?

Mr. FARRELL. I have not seen the statement, Mr. Gardner.

Mr. GARDNER. Is it true?

Mr. FARRELL. I do not quite understand what the statement was.

Mr. BARTLETT. Have you not booked contracts—I believe that is the term—for a great many more tons of steel than you did last year?

Mr. FARRELL. Yes, sir; that is correct.

Mr. BARTLETT. And is it not greater than you have booked for several years past?

Mr. FARRELL. I should say it is greater than for the past 18 months.

The CHAIRMAN. When did this increase in your business start—this renewed activity?

Mr. GARDNER. That is not the question to which I was referring. I thought you read something from that paper, Judge Bartlett?

Mr. BARTLETT. From this morning's paper?

Mr. GARDNER. Something to the effect that they had a greater amount of orders for steel than they could supply.

Mr. BARTLETT. I did not read that from the paper.

Mr. GARDNER. I thought you did. I asked Mr. Farrell if it was so.

Mr. BARTLETT. I might have looked at the paper, but I did not intend to create the impression that I was reading from that paper. I say I got that in New York.

Mr. REED. You have not contracted for more than you could sell?

Mr. FARRELL. No. We have not contracted for more than we could sell. We have a very large capacity that we would be very glad to employ.

Mr. BARTLETT. Do you know whether or not this is not also true of the independents?

Mr. FARRELL. I understand it is; yes. I understand they are getting more business——

The CHAIRMAN. As I understand, these costs sheets that have been asked for will be furnished, and Mr. MacRae will be permitted to inspect them and to make such use of them as he thinks fit.

Mr. REED. The situation is just this, Mr. Chairman, if I may sum it up:

In order to assist Mr. MacRae we have put a tremendous quantity of work on making these compilations. The original costs themselves are voluminous, and probably Mr. MacRae could not make any valuable use of the originals without putting a corps of clerks on them to work for several weeks. We tried to do that work for him, and made the compilations. We have done that. But if he wants to go beyond that and take up the originals, he can do it at any time in the offices in New York. But please do not ask us to bring the originals down here.

The CHAIRMAN. No; we do not care to have them brought down here.

Mr. REED. For one thing, we need them all the time.

The CHAIRMAN. We want the originals turned over to him for such use as he thinks proper.

Mr. REED. And I hope the committee will end by deciding that, at the most, the compilations are all they will want to publish after Mr. MacRae has verified them and found they are accurate and fair.

Mr. GARDNER. I want to ask some questions before that is settled, Mr. Chairman.

The CHAIRMAN. Very well.

Mr. GARDNER. I distinctly got the idea last summer from the counsel of your company that you had no objection to the publication of these cost sheets in gross; that is, a compilation showing the average cost of production to the United States Steel Corporation of various articles.

I gather from your evidence this morning that you object to the publication of these compilations of averages. Is that correct?

Mr. FARRELL. No, sir; that is incorrect. You have misunderstood my testimony. We do not object to the publication of a compilation of averages, but we do object to the general segregation of——

Mr. GARDNER (interposing). Let us not have any misunderstanding. Do you object to the publication of the average cost of production of pig iron to the United States Steel Corporation?

Mr. FARRELL. Would you not take into consideration, Mr. Gardner, the fact that there are other producers in this country producing materials in various places——

Mr. GARDNER. I take it all into consideration.

What I want to know is whether I understood the position of the Steel Corporation last summer correctly or whether it is changed or whether your position is somewhat different from what I have understood?

To give a concrete illustration: Do you object to the publication of the average cost of production of pig iron to the United States Steel Corporation?

Mr. REED. May I explain to Mr. Farrell what has gone before, Mr. Gardner?

Mr. GARDNER. I wish you would.

(Mr. Reed thereupon made an information explanation to Mr. Farrell.)

Mr. FARRELL. Your interpretation is correct, Mr. Gardner.

Mr. GARDNER. My interpretation of your words or my understanding of what was said last summer? Which is correct?

Mr. FARRELL. Both.

Mr. GARDNER. They do not seem to me to be harmonious.

Do I understand you now to say that you have no objection to the publication of the compilation?

Mr. FARRELL. The composite costs?

Mr. GARDNER. The composite costs of each separate product. Do you have, first, any objection to the publication of the composite cost of pig iron?

Mr. FARRELL. No; if you limit it to pig iron.

Mr. GARDNER. Have you an objection to the publication of the composite costs of blooms?

Mr. FARRELL. No; I can not say that I have, because a bloom is not very far removed from pig iron.

Mr. GARDNER. Or billets?

Mr. FARRELL. I might object there; yes.

Mr. GARDNER. Or tubes?

Mr. FARRELL. Yes.

Mr. GARDNER. You would object?

Mr. FARRELL. Yes.

Mr. GARDNER. In other words, you do not object in the cruder products?

Mr. FARRELL. No.

Mr. GARDNER. But as a product approaches a finished state, you object to the publication of the composite costs of those particular units?

Mr. FARRELL. You are right.

Mr. GARDNER. I want to get this perfectly clear, because surely this differs from what I understood the situation to be last summer. I had understood that you had no objection to our publication of the various material which I understood you had supplied to the Bureau of Corporations, provided we published it in a composite form. Now you say that composite form must not apply to particular products?

Mr. FARRELL. To finished products.

Mr. GARDNER. At least, that is your desire, that it should not apply to those products?

Mr. FARRELL. Yes; that is my desire.

Mr. GARDNER. And it is needless to say that you are speaking for the United States Steel Corporation absolutely in that?

Mr. FARRELL. I do not know that I would want to be placed in that position. You have made a statement here that our counsel has volunteered to give information. I do not recollect that our counsel has.

Mr. REED. Mr. Farrell has not been in as close touch as he might have been with the proceedings before this committee, Mr. Gardner.

Mr. GARDNER. Mr. Reed understands perfectly well that a great deal of discussion goes on in executive session between counsel for the United States Steel Corporation and the committee that I may very well have confused in my mind with what took place before the committee in a public hearing or before the full committee in executive session; and, therefore, I want to arrive at what the position of the United States Steel Corporation is as a matter of record.

Mr. FARRELL. I believe you have correctly stated it.

Mr. GARDNER. You have given the correct statement?

Mr. FARRELL. Yes.

Mr. GARDNER. I just want to ask you one or two questions in order to elucidate in my mind the question as to whether you are asking something reasonable or not, just as a little while ago I asked you if your competitors could estimate your bids before they were opened if they knew the cost of production of particular articles; to which if I recollect rightly, you answered that they could estimate them to a fraction?

Mr. FARRELL. Yes; if they knew our costs.

Mr. GARDNER. As a matter of fact, does not the cost vary a great deal from time to time?

Mr. FARRELL. In localities.

Mr. GARDNER. And if this information were published to-day, would any European competitors feel that it was secure enough for him to base his own bid on three months from to-day?

Mr. FARRELL. Yes.

Mr. GARDNER. That would be a great guide to him?

Mr. FARRELL. Yes. For example, in the German industry the mills that are concerned with the manufacture of materials for export are principally located in the Westphalian district, and most of them are

on the River Rhine or the Ruhr, and other rivers, and they have water transportation to Rotterdam, Antwerp, and so on.

Mr. GARDNER. In the course of three months what would be the minimum or maximum that your cost of production might vary?

Mr. FARRELL. You are speaking of the cruder forms of material?

Mr. GARDNER. First of the cruder forms, yes; and then of the finished forms.

Mr. FARRELL. They might vary 25 or 50 cents a ton.

Mr. GARDNER. And in the more finished forms?

Mr. FARRELL. Probably $10. It all depends upon the character of the operation.

Mr. GARDNER. That being so, that variation coming over such a wide margin as 25 to 50 cents a ton, is it or is it not a fact that to-day your European competitors, as a matter of fact, do know within 25 or 50 cents a ton your costs, or do they? Or do you know theirs within 25 or 50 cents a ton?

Mr. FARRELL. I am not positive as to them.

Mr. GARDNER. But sufficiently so to form an estimate for your bid?

Mr. FARRELL. It would depend a great deal on where the material was being shipped from. The competition might be with Germany, or it might be with Belgium, or it might be with Austria, or with Russia.

Mr. GARDNER. You might know the German costs better than the Russian costs, for instance, or the Belgian costs? We can quite understand that.

I am just going to allude to something that the chairman brought out. We have had a great deal of evidence from Judge Gary and from other people as to what is called by Mr. Herbert Knox Smith, and, I dare say, by other people "cooperation."

Mr. FARRELL. Yes, sir.

Mr. GARDNER. The cooperation which exists between producers of steel, independents and the United States Steel Corporation; and we have been informed that, whatever understanding occurred or exists between manufacturers in this country—the understanding, or the comprehension, I had better put it—of each others business through which destructive competition has disappeared, have been brought about by a complete interchange of knowledge of costs between the producers of the various articles affected. Do you agree with that?

Mr. FARRELL. No; not so much with respect to costs, Mr. Gardner, as with respect to processes.

Mr. GARDNER. There was pretty voluminous evidence, I think, that there was a complete exposition amongst themselves of their costs.

Mr. REED. Mr. Schwab stated that.

Mr. GARDNER. I can not remember whether anybody who was testifying from his own knowledge, or testifying from his knowledge of the steel business, made that statement, but somewhere that was stated. It may have been Mr. Temple or somebody who would not speak from his own knowledge.

Mr. REED. I do not remember.

Mr. FARRELL. I think Mr. Schwab stated that it would be a desirable thing to do. Perhaps it would be, for one manufacturer to learn the costs of the other. It may be that he was anxious——

Mr. GARDNER. As a matter of fact, do the manufacturers of the more finished forms or of the cruder forms of steel reveal to each other their costs?

Mr. FARRELL. No, sir.

Mr. GARDNER. They do not?

Mr. FARRELL. They do not.

Mr. GARDNER. It is just a secret amongst themselves?

Mr. FARRELL. Yes, sir.

Mr. GARDNER. That, I am quite confident, is contrary to some of the evidence that we have hitherto had.

Mr. REED. It is quite contrary to what Mr. Schwab says the general practice is; but it is quite consistent with his own refusal here, on page 1349, to tell us what he pays for his ore.

Mr. GARDNER. I did not hear Mr. Schwab testify, and I have heard this testified to, because I remember when the testimony came up—somewhat reversing the process that I am going through this morning—I said: "We have been told that the guarding of secrets" (that is, the guarding of costs of production) "is a very vital matter."

I think, perhaps, you will find in Herbert Knox Smith's evidence that he testifies to the statements made to him. It may be in his evidence. I certainly have had a very strong impression that a very large number of men in this country knew each other's costs of production.

Mr. FARRELL. The only way they could learn that would be where one employee would leave a concern and go to another.

Mr. GARDNER. But I mean by deliberate interchange of knowledge.

Mr. FARRELL. No.

Mr. GARDNER. I do not mean surreptitiously acquired knowledge. I mean a voluntary interchange of knowledge. You say that does not exist?

Mr. FARRELL. It does not exist. There is no deliberate interchange of information.

The CHAIRMAN. What is the page of that testimony?

Mr. REED. Where he refers to the price of his ore? Page 1349.

Mr. YOUNG. I remember when Mr. Schwab was asked the price he paid for the ore he had imported from Sweden his reply was that there were many people in the United States that would like to know. And the matter dropped there and was not pressed.

The CHAIRMAN. I will have Mr. Schwab's testimony here in a moment. My recollection is that he said here and abroad they took each other into their confidence implicitly as to every detail of the cost of production; that that was customary among manufacturers in this country, and that the foreigners knew, within a few cents, or within a trifling amount, just what it cost us to produce pig iron and we knew what it cost them, and there was no way to conceal it.

Mr. FARRELL. I had not heard that.

Mr. GARDNER. You will very readily see what would be working in my mind, which is that a secret shared by so many persons is no longer a secret to anyone who sets about finding it out.

Mr. FARRELL. That is correct.

Mr. GARDNER. This seems to be a question of what the facts are. I had supposed that they were——

Mr. FARRELL. I am not familiar with this statement that has been made.

Mr. GARDNER. You are certainly the first witness who has stated the contrary within my hearing. I was not here when Mr. Schwab was examined. I fact, I do not think I was a member of this committee, was I, Mr. Chairman?

The CHAIRMAN. Yes. It was in New York.

Mr. GARDNER. Oh, yes.

I wanted to elucidate that point for my own satisfaction. That is all.

The CHAIRMAN. The committee will take a recess until 2.30.

Mr. REED. Just a moment, Mr. Chairman, before you take the recess.

You will find at page 1277 the statement by Mr. Schwab as to the disclosure of costs by manufacturers to one another.

Whereupon, at 1.10 o'clock, p. m., a recess was taken until 2.30 o'clock p. m.

AFTER RECESS.

At the expiration of the recess the committee resumed its session.

STATEMENT OF MR. J. A. FARRELL—Resumed.

The CHAIRMAN. Mr. Farrell, while Mr. Schwab was on the stand I discussed with him the propriety of this perfect, open revelation of one company to another of the intricacies of its business. I said to him, in speaking of his initiating this golden-rule proposition of having all the companies meet and confer with one another:

The CHAIRMAN. You proposed that the various independent companies should compare their cost?

Mr. SCHWAB. Yes, sir.

The CHAIRMAN. Did you propose that each one of those companies should give to each of the other companies an itemized, accurate, and detailed statement of the cost of the production of its articles?

Mr. SCHWAB. I did.

The CHAIRMAN. Let me understand you, then, a little more definitely.

Mr. SCHWAB. Yes, sir.

The CHAIRMAN. Do you mean to say that one concern should give to its competitors the cost of mining its ore, the actual cost of its transportation, the actual cost of the mining of its coal, of the making of that coal into coke, of the transportation of the coke to the oven, the cost of procuring its limestone, and the formulas by which these various constituents were mixed in the blast furnace, the patents, and all the details of operation by which the four or five tons of material, mixed by the most skillful chemists, should be made into a ton of pig iron, and would give them all those valuable trade secrets when they were in competition?

Mr. SCHWAB. I did; absolutely.

The CHAIRMAN. Do you believe that they could do that in this country without injury to each other?

Mr. SCHWAB. Not only do I believe they could do it, but I know that in most of the instances you have named they do do it.

The CHAIRMAN. They do do it?

Mr. SCHWAB. Yes, sir. May I proceed?

The CHAIRMAN. Yes, sir.

Mr. SCHWAB. The British Iron and Steel Institute, which is one of the great organizations of the world, is principally occupied each year in the discussion of the very problem that I propose in a technical way. I propose to extend it still further and to compare all the items that go into the cost of making a ton of pig iron—for example, at the various independent plants throughout the United States—because, as a matter of fact, the technical questions of which you speak, like transportation, the cost of mining ore, the making of coke, and similar things, are already well known by all of them.

The CHAIRMAN. Now, Mr. Schwab, if you will permit another interruption, suppose this committee should ask you to furnish to us a cost sheet showing the operation of one of your great blast furnaces, the constituent elements of iron that go into it, the actual cost of every detail, of mining, transportation, and smelting, from the time that the first raw material was taken from the bowels of the earth until the slag was in one place and the ore in another, would you be willing to furnish such information?

Mr. SCHWAB. Quite so; not only willing, but we do do it.

We have been advised here by witness after witness, before any of these demands were made, that under this golden rule, as Judge Gary says, applying so generally, when you meet at these Gary dinners and other places you discuss freely and uniformly the intimate details of your business one way or the other.

Your statement this morning—I am not questioning it at all—is surprising, in view of the condition of affairs we were led to believe existed through Judge Gary and Mr. Schwab and these other gentlemen who have told us that that cutthroat competition and that policy of secrecy and withholding from one another the details of your business has long since been abandoned as a barbarous and unnecessary precaution.

Mr. REED. Where do you find Judge Gary's testimony on that, Mr. Chairman?

The CHAIRMAN. In what he testified to before the committee. I am quoting him generally.

Mr. FARRELL. Mr. Chairman, as I understand it, Mr. Schwab expressed his opinion in giving that testimony.

The CHAIRMAN. Does Mr. Schwab make pig iron?

Mr. FARRELL. Yes, sir.

The CHAIRMAN. And steel rails?

Mr. FARRELL. Yes, sir.

The CHAIRMAN. And plates?

Mr. FARRELL. No.

The CHAIRMAN. Armor plate?

Mr. FARRELL. Yes.

The CHAIRMAN. Has he competition in Germany in the making of those things, and in other parts of the world?

Mr. FARRELL. Certainly.

The CHAIRMAN. Suppose he should furnish us with this detailed cost; would they put him out of business?

Mr. FARRELL. That is a matter for Mr. Schwab to say.

The CHAIRMAN. Would it not be as dangerous to him as it would be to the Steel Corporation, and more so, because it is a smaller concern and more easily licked?

Mr. FARRELL. When you asked Mr. Schwab what he paid for the Swedish ore, did he tell the committee?

The CHAIRMAN. I asked him the amount that he imported, and he did not tell the committee.

Mr. YOUNG. You asked him the price also.

The CHAIRMAN. Yes.

Mr. REED. You asked him the price also.

Mr. FARRELL. Nobody has ever been able to find out, although a good many people in the industry are curious to know.

The CHAIRMAN. I understand that there are peculiar reasons for his not revealing what he paid for Swedish ore, which would not

prevail as to his Cuban ores or ores in this country, and he was perfectly frank in telling anything about the Cuban ores.

Mr. FARRELL. Has he stated the cost of the Cuban ores?

The CHAIRMAN. I do not recall that I asked him.

Mr. FARRELL. Nobody has ever been able to find out.

The CHAIRMAN. He stated, I think, the prices for which he purchased; its present value.

Mr. FARRELL. He has not testified as to the cost of the Cuban ore delivered at Bethlehem?

The CHAIRMAN. I do not recall. He expressed his willingness to do it. But, as we were not investigating the Bethlehem Steel Co., we did not go into the details of that matter, and I really did not ask him for any cost sheets, because we were not authorized to enforce such a request, and I did not care to make the request unless I had the power, if necessary, to insist upon it afterwards.

What I am driving at now is this: Mr. Schwab, being a practical steel man, as I understand, expressing this willingness to take the committee into his confidence, and stating it as a well-known fact that they did take each other into their confidence, I see no reason, if the steel people themselves, the manufacturers themselves, knew all about each other's business, why we should not know.

Mr. FARRELL. As I understand it, he testified as to his disposition to furnish the information.

The CHAIRMAN. And he testified to the fact that these concerns did furnish this information one to the other.

Mr. REED. I think it is not a question of Mr. Schwab's disposition that the chairman is trying to get at, but the question of the practice of the steel makers of the country, as to whether or not they do exchange information as fully as that would indicate.

Mr. FARRELL. I am acquainted with practically every steel manufacturer in this country and, I might say, abroad. I have never heard one manufacturer indicate his cost of production to another, because that is the essence of his business; it is the foundation upon which his business succeeds or fails.

Mr. BEALL. What are the confidences that these steel manufacturers exchange one with another at the frequent meetings that they have?

Mr. FARRELL. There are a good many matters discussed; for example, processes.

Mr. BEALL. If one steel manufacturer has a superior kind of process, would he not feel some hesitancy about revealing that to his competitors? Would not that be one of the elements that would give him advantage, or primacy, or dominancy in the steel market?

Mr. FARRELL. It would naturally seem so; but if an inventor, or a man who claimed to be an inventor, came to us and stated that he had some process for recovering benzol or some coal-tar product from the coal in the production of coke, we would naturally make inquiry as to whether or not his claims were correct. He might say, for example: "Krupps use this." "Cockerills in Belgium use it." A great deal of the time of these meetings and conventions has been taken up in discussing matters of that kind, as well as welfare work in the mills.

Mr. BEALL. We have heard something about an institution here called the Gary dinners.

Mr. FARRELL. Yes.

Mr. BEALL. I think the record shows you had the pleasure of attending some of them?

Mr. FARRELL. Most of them.

Mr. BEALL. At the dinner of January 11, 1911, which occurred, I think, just after you were elevated to the presidency of the Steel Corporation——

Mr. FARRELL. The same day.

Mr. BEALL (continuing). Mr. Gary said:

Is it any wonder that such as I, coming a few years ago from another profession—having spent his time in other lines of activity—coming into this business without knowledge of the business or acquainted with those connected with it, groping along in more or less uncertain paths, but eventually reaching the position which we have reached in our travels, so that we can have and do have absolute confidence in one another—willing to lay our business down upon the table for the inspection of our neighbors—

What do you understand that to mean?

Mr. FARRELL. I do not understand that had any reference to exchanging the cost of production as between one manufacturer and another.

Mr. BEALL. What did you understand it to mean?

Mr. FARRELL. The steel industry, like many other industries, has suffered from what might be termed the commercial turpitude of buyers. A man might be erecting a building, and he might say to one of our people: "The Bethlehem Steel Co. is willing to furnish this material for $36 a ton."

And we might know, perhaps, that the Bethlehem Steel Co. could not do it for the price—at least, we would not suppose they could, because our cost might be $42.

There is a great deal of distortion going on all the time by people who are buying our materials as to what the other man can sell him materials for, whereas the costs are pretty well determined.

Mr. BEALL. Do I understand, then, that one of the main purposes of the Gary dinners was to afford an opportunity for these gentlemen engaged in the steel business to meet together in order that they might dispel and dissipate these erroneous statements that might get into circulation?

Mr. FARRELL. No. But the result of those dinners was that the people in the industry became better acquainted. It was a matter of knowledge that many of the steel manufacturers of this country scarcely knew each other.

Mr. BEALL. Was it, then, that they might become better acquainted personally with each other? Was that the main purpose of the Gary dinners?

Mr. FARRELL. Principally; and also to discuss metallurgical matters.

Mr. BEALL. Let me read you another little paragraph.

Judge Gary again, on page 9, of the January 11 dinner said:

Why do I mention these things? * * * Because at this particular time I am anxious that no man around this table—no one connected with this business—shall for a single moment forget the high moral obligation he is under toward his neighbor; because if it was the last word I could have the privilege of saying to you, I would say, with all my might and with all the emphasis that I could find words to express, I consider it of the highest importance at this particular time that every one of us should have a keen and abiding

sense of the personal obligations which he has toward all others, and to make no mistake of running the risk of trespassing within the domain of the rights of his neighbor, who has given his confidence and trust, and who is willing at all times to put within the knowledge, and therefore more or less under the charge and control of others, the very direction of his affairs.

What do you understand that to mean?

Mr. FARRELL. I do not know that I can give you an idea as to what——

Mr. BEALL. Is it not a fact that such a status had been reached among the gentlemen engaged in the steel industry that the very direction of one another's affairs was placed in the hands of others?

Mr. FARRELL. I do not understand it to be so. I never understood it to be so.

Mr. BEALL. Do you remember hearing this speech of Judge Gary's? Were you there that night?

Mr. FARRELL. Yes.

Mr. BARTLETT. You followed Judge Gary immediately, did you not, in a speech of your own?

Mr. FARRELL. I did not make a reply to Judge Gary.

Mr. BARTLETT. I said you immediately followed him.

Mr. FARRELL. Pardon me.

Mr. BEALL. Just after Mr. Leishman spoke, then Judge Gary read a telegram from Mr. Schwab, and the succeeding speaker was Mr. James A. Farrell?

Mr. FARRELL. Yes.

Mr. BEALL. Judge Gary is talking there about a situation that had been brought about among manufacturers that, a few years ago, were extremely hostile to each other. By some sort of alchemy the situation had been so changed that, as Judge Gary expresses it, these gentlemen were willing to place under the charge and control of others the very direction of their affairs.

Is it not a fact that one of the main points considered at the Gary dinners was a question of price?

Mr. FARRELL. No, sir.

Mr. BEALL. Is it not a fact that that was the dominant controlling thought.

Mr. FARRELL. No, sir. I never heard prices mentioned at any dinner that I ever attended.

Mr. BEALL. You never heard prices mentioned?

Mr. FARRELL. No, sir.

Mr. BEALL. You heard Judge Gary's speech?

Mr. FARRELL. Yes.

Mr. BEALL. Let us see if he said anything about prices. At this dinner he makes the statement that some of his friends there estimate that at least 90 per cent of the iron and steel of this country is represented in this room.

Mr. FARRELL. You might, for example, get 90 per cent of any industry together at a dinner.

Mr. BEALL. On page 7 of his public speech of January 11, 1911, Judge Gary said:

In view of the fact that we have no right legally to enter into any arrangement by direct or indirect means which enables us to maintain prices, to divide territory, or restrict output, or in any way to interfere with the laws of trade, or to stifle competition; in view of the fact that we can not legally, directly or indirectly, do anything which may be construed to be in restraint of trade,

and therefore are relegated to the one position of treating each other on the basis of fair, just, and equitable treatment, it behooves us to use the greatest care in the exercise of our rights and in the transaction of our business so as to make it absolutely certain that, day by day and with reference to every transaction, we are certain to recognize the rights of our competitors, our friends, and the obligations which we are under toward them.

I say in this presence, to men who know by long experience—men who know to a demonstration that what I speak is true and logical—that we have something better to guide and control us in our business methods than a contract which depends upon written or verbal promises with a penalty attached. We as men, as gentlemen, as friends, as neighbors, having been in close communication and contact during the last few years, have reached a point where we entertain for one another respect and affectionate regard. We have reached a position so high in our lines of activity that we are bound to protect one another; and when a man reaches a position where his honor is at stake, where even more than life itself is concerned, where he can not act or fail to act except with a distinct and clear understanding that his honor is involved, then he has reached a position that is more binding on him than any written or verbal contract.

Coming to page 10, after he delivered this beautiful dissertation upon the mutual obligations existing between gentlemen engaged in business, he says:

At the present time the question of maintaining or changing the prices of commodities in which we deal is uppermost in our minds.

This is the dinner of January 11, 1911.

That question, you say, you never heard discussed at one of the Gary dinners; you never heard mentioned. Judge Gary himself, in his introductory speech, says that that one question is the question that is uppermost in the minds of the gentlemen there. He said:

At the present time the question of maintaining or changing the prices of commodities in which we deal is uppermost in our minds, because we read and hear about this question every day and almost every hour.

Near the bottom of page 10 he says:

If a majority of you shall be of the opinion that I am making a mistake in advocating the maintenance of prices, you will have no difficulty in getting me to change my opinion.

Was it submitted to a vote?

Mr. FARRELL. No. I presume that he refers to the question of the stability of the market. There was never any discussion as to prices, and price was never mentioned on anything.

Mr. BEALL. I suppose no gentleman came out and mentioned that it would be $25.50 a ton on some particular thing, or $28 and so on on steel rails, or $37.75 on some other product; but, throughout the course of the Gary dinner was it not continually hammered into the gentlemen present that it was expected of them that there would be a maintenance of prices?

Mr. FARRELL. I did not so understand it, sir.

Mr. BEALL. What did you understand by this statement of Judge Gary's?

If a majority of you shall be of the opinion that I am making a mistake in advocating the maintenance of prices, you will have no difficulty in getting me to change my opinion.

Mr. FARRELL. I presume that he had in mind the matter of the stability of the market rather than a constant fluctuation, which might perhaps affect the——

Mr. BEALL. If the question of price was not considered there, do you know of any means by which Judge Gary could determine the fact whether a majority of the gentlemen present agreed or disagreed with him as to the question of maintaining prices?

Then, again, on page 11, he said:

Now, my opinion is that it would be a mistake to reduce prices at this time.

The question of prices was considered at the Gary dinner.

Mr. FARRELL. I remember that remark, and I have a pretty clear idea as to his reasons for making that statement.

Mr. BEALL. Coming down to Mr. Farrell, now:

I understand the policy of the corporation to be to cooperate with its competitors in the effort to maintain fair prices.

Mr. FARRELL. That is correct.

Mr. BEALL. That is in your speech?

Mr. FARRELL. I still hold to that opinion.

Mr. BEALL. That it is the policy of the corporation to cooperate with its competitors to maintain fair prices?

Mr. FARRELL. I had one thought in mind always, and still have the same thought.

Mr. BEALL. To maintain fair prices?

Mr. FARRELL. I had one thought in mind, and I still have that thought, and always will continue to have it, that cooperation between manufacturers that will result in a fair, stable price, will enable us to pay our workingmen better wages.

Mr. BEALL. Is that the dominant thought of the United States Steel Corporation in seeking to maintain fair prices?

Mr. FARRELL. Absolutely. You will perhaps remember that in 1907, when there was a reduction in the wages made by all of the independent manufacturers in this country, the United States Steel Corporation did not reduce the wages of its workmen. The result was that, after several months, the independent manufacturers found that they could not pay a lower scale of wages than we were paying. So, consequently, they brought their wages up.

There is no doubt in my mind that there are many small manufacturers to-day who are simply taking every opportunity to reduce wages. We do not believe in reducing wages. We want to pay our men all that we can. If we can pay them more, we will pay them more; but our thoughts are not on reducing wages.

Mr. BEALL. I think the record shows that for the year 1907 the profits of the United States Steel Corporation were about $158,000,000?

Mr. FARRELL. Possibly.

Mr. BEALL. How much of an increase was that over the profits of 1906? Can you tell?

Mr. FARRELL. Yes; I can refer to that, if you will give me a moment.

Mr. BEALL. Was it a substantial increase?

Mr. FARRELL. In profits?

Mr. BEALL. In profits, yes.

Mr. FARRELL. My recollection is that it was.

Mr. BEALL. Was there any increase in the wages of the workingmen as the result of that increase in the profits in 1907?

Mr. FARRELL. Yes; an increase averaging from 10 to 20 per cent.

Mr. BEALL. In all lines?

Mr. FARRELL. Practically; yes, sir.

Mr. BEALL. Were your profits in 1906 an increase over the profits of 1905?

Mr. FARRELL. I think they were very close together. I have that information here.

The wages paid in 1906 were $147,765,540, as compared to $128,052,955 in 1905. The average received by each man was $18 a year more.

Mr. BEALL. What was the average received by each man?

Mr. FARRELL. In 1906?

Mr. BEALL. Yes.

Mr. FARRELL. $729.

Mr. BEALL. In making that calculation did you count in the salaries paid to all the officials and all the employees of the United States Steel Corporation?

Mr. FARRELL. I could not answer that question definitely. My impression is that this applies to the wages of the employees of all companies.

Mr. BEALL. And of all classes?

Mr. FARRELL. I am not sure as to that.

Mr. BEALL. You have many very high-salaried employees?

Mr. FARRELL. We have many men that receive pretty fair salaries. Among them are men who would receive as large or probably more in other companies in the same line.

Mr. BEALL. That may be true.

Mr. FARRELL. We have a great many men receiving comparatively large salaries in our corporation who could make a great deal more money if they were manufacturers themselves. There are plenty of cases like that.

Mr. BEALL. But, in the calculation, if you consider this multitude of men who receive extremely high salaries, and you still get an average of only $720 a year per employee, that indicates that you have many employees who receive very considerably less than $720 a year?

Mr. FARRELL. I think that ordinary labor—some people call it common labor, but I prefer to call it ordinary labor, because there is no labor that is common, in my opinion—some of those men receive a minimum, I think, of about $1.75 a day. Those are men who are ordinary laborers around the mills; men such as you would employ yourself if you were going to fix up your garden, or something of that kind.

Mr. BEALL. How many hours in the day are these men required to work?

Mr. FARRELL. It depends. I presume there are probably 20 per cent of our men who are present in the works 12 hours a day.

Mr. BEALL. How many days in the week?

Mr. FARRELL. At the present time most of the men work six days. There has been a great deal said about seven-day labor, but seven-day labor has been practically eliminated. In the case of a great many of our men, where the men formerly worked seven days a week, it has been done away with entirely.

Mr. BEALL. How about the blast furnaces?

Mr. FARRELL. I will tell you. I am glad you asked that question. I do not want to indulge in any history of my career, but having worked in the mills from the time I was less than 16 years of age, and for a period of 18 years afterwards, I think I am familiar with the conditions in steel works then and now.

There is a general impression that men work 12 hours a day around the blast furnaces. Of course it is a metallurgical necessity for the men to be there for two periods of 12 hours each.

I have just returned from a visit to our mills in Cleveland, Lorain, Youngstown, and Pittsburgh, and spent a good deal of time at the mills. The men around the blast furnaces actually work 4 hours a day. They are present there for 12 hours. The furnace is tapped every 4 hours, and for a period of an hour they are working. The rest of the time they are resting.

When I commenced in the business we rested out doors. At the present time they rest in comfortable quarters, with shower baths and conveniences, and opportunities to smoke and read the papers.

We have a great many men that work 6½ or 8 hours a day; skilled workmen. We are doing everything we possibly can to eliminate the seven-day work, and we have practically accomplished it.

I think perhaps we can do it better ourselves than the social engineers who are discussing the question, and who, probably, do not know anything about the conditions that exist in the operation of iron and steel plants.

Mr. BEALL. Coming back to this question of the Gary dinner, do you know Willis L. King?

Mr. FARRELL. Yes.

Mr. BEALL. On page 21 of this report of the dinner of January 11, Mr. King is quoted as saying this:

> I think, therefore, to talk of reducing the prices ought not to be considered for a moment.

On page 24, Judge Gary, introducing Mr. Clarke, said:

> One other thought. I agree with all that has been said by Mr. Topping and Mr. Felton and others concerning Mr. Farrell. You know about how proud I am of the fact that he is not only loyal, but that he is enthusiastic with reference to this policy of maintenance of higher prices, particularly such cooperation as advances the interests of all concerned,

and so forth.

Then Mr. Clarke, in his speech, on page 25, says:

> While I think it is well to coach salesmen, we must put into them the very same spirit I think we all have here, that we are in honor bound not to change our prices without letting the other man know it, because then the salesman knows that he has an answer to give to that proposition.

Then, in the speech of C. S. Price, on page 26, he says:

> I will only speak of the business situation and indorse the fact that I consider it very inopportune at this time to make any change in prices.

Further down he says:

> I want to say just one word on the fact that I presume we are all confronted with the same statement, which comes to me almost daily, accusing one or the other at some one point, in some one direction, of making some concession or some subterfuge by which a concession is made, all having exactly the same effect. I believe that it is not true, and I prefer not to believe it. I therefore say that in my judgment we should, to use the common expression, "stand pat."

Mr. J. G. Butler, at page 41, says:

So far as I know, there is not any disposition on the part of any makers of pig iron to lower the prices.

So with other gentlemen who spoke at this Gary dinner on January 11, 1911.

Now, after you have heard these quotations from the speeches of Mr. Gary, from your own speech, and from the speech of many other of these gentlemen, I will ask you again if the one uppermost, dominant thought at the Gary dinners was not to bring about some condition under which the prices of steel products could be maintained?

Mr. FARRELL. I desire to be entirely frank about these things. I will answer that by saying that there is no doubt there was a disposition on the part of all these people that were present to maintain a stability of conditions in the industry.

Mr. BEALL. Has it not been your understanding that this institution of the Gary dinner had its origin in an effort to bring about a condition under which different corporations engaged in the steel industry could cooperate in maintaining prices without technically violating the antitrust law?

Mr. FARRELL. No; that has not been my understanding.

The steel industry in every country has its associations and its frequent gatherings of people, sometimes socially, sometimes for the discussion of technical subjects. There never has been any such institution in this country, and Judge Gary undoubtedly had in mind gathering together the steel manufacturers of this country for the purpose of having them become better acquainted and for the purpose of discussing matters that might be of benefit to the steel-manufacturing business.

Mr. BEALL. It has had the effect of bringing about a system of cooperation that has resulted in the maintenance of prices, and practically the same price, between different manufacturers?

Mr. FARRELL. Of course, prices are very low at the present time. I do not know whether they are low by reason of cooperation or maintenance, or by gravitation, but they are very unsatisfactory.

Mr. REED. If that was the object of the Gary dinners, they must have failed very badly last May.

Mr. BEALL. What is that?

Mr. REED. If the maintenance of prices was the object of the Gary dinners, they failed dismally last May.

Mr. BEALL. Is it not a fact that when the Republic Iron & Steel Co. announced its reduction in prices, there immediately followed another Gary dinner?

Mr. FARRELL. It may have been a coincidence.

Mr. BEALL. Do you not remember the circumstance that, when the Gary dinner ended, Mr. Gary gave out to the papers a statement that the gentlemen represented at that dinner would meet this cut in prices that had been inaugurated by the Republic Co.?

Mr. FARRELL. Do you know the reason why the Republic Iron & Steel Co. made the reduction?

Mr. BEALL. No; I do not.

Mr. FARRELL. Because, in my opinion, they expected to accomplish a reduction in the wages of their workmen; and I imagine

they were very much surprised when they found that the other manufacutrers did not follow that idea.

Mr. BEALL. The reduction by the Republic Co. did have the effect of causing a like reduction with all the other steel corporations?

Mr. FARRELL. Certainly. The smallest manufacturer in this country makes the market. It is a mistaken idea to think that the United States Steel Corporation or any body of manufacturers can control a market or control a price. If somebody is willing to sell bars for $1.15 a hundred pounds, we can not get $1.25.

Mr. BEALL. That was one Gary dinner that the representative of the Republic Co. was not invited to?

Mr. FARRELL. I am not aware of that. I do not know.

Mr. BEALL. He was not present?

Mr. FARRELL. That may be possible. He may not have been there. The Republic Iron & Steel Co. have apparently since been advancing prices of their own volition.

Mr. BEALL. That would be rather the normal condition of affairs, would it not, for a steel corporation, if it chose to advance prices, to do so of its own volition?

Mr. FARRELL. Yes; but the point I desire to make is that they found, probably, that the reduced price was not remunerative and they advanced their prices again.

Mr. YOUNG. The improvement of business had something to do with it, had it not?

Mr. FARRELL. Of course, everybody attending these dinners certainly reserved freedom of action to do as they pleased. I think Judge Gary stated that many times. I have heard him say so. There has never been any obligation on the part of anybody attending these dinners to do anything binding.

Mr. BEALL. No legal obligation?

Mr. FARRELL. Or technical obligation?

Mr. BARTLETT. There was an honorable obligation, was there not, according to Judge Gary's suggestion?

Mr. FARRELL. I presume there is such a thing as an honorable obligation.

Mr. BEALL. Was not the burden of Judge Gary's speech that they were in honor bound and that the obligation was more binding and effective than even a written obligation would be?

Mr. Farrell, the other day Mr. Carnegie was before the committee and made the statement—I can not turn to it just now, but I think I can quote the substance of it—that from his knowledge of the steel business and its method of conduct it was obvious—I know that I am using the right word there—it was obvious that in some way, somehow, directly or indirectly, openly or secretly, in some way there was some sort of combination among the manufacturers of steel whereby they were cooperating and maintaining prices?

Mr. FARRELL. Mr. Carnegie, I understand, made that statement. I think I saw it in the newspapers. But Mr. Carnegie has not been in the steel business for a good many years.

You gentlemen of the committee probably were surprised at the facility with which he gave you information about his business.

Mr. BEALL. I regret very much, Mr. Farrell, that in this statement you are dissipating our faith in Mr. Carnegie, because, as I recollect it, that was about the only point that he was positive about.

Mr. FARRELL. Yes; something he knew nothing about. Mr. Carnegie is a wonderful man and a great master of detail.

Mr. BARTLETT. In every particular a wonderful man?

Mr. FARRELL. I will not specify.

Mr. BEALL. So long as he was in the steel business there were combinations of all kinds, were there not?

Mr. FARRELL. I am not in a position to intelligently reply to that question.

Mr. BEALL. You were in the steel business at that time?

Mr. FARRELL. Oh, yes.

Mr. BEALL. When did you go into it?

Mr. FARRELL. In 1878.

Mr. BEALL. At what time did your connection with it assume an official capacity of any kind?

Mr. FARRELL. About 1894.

Mr. BEALL. From 1894 up to the time of the formation of the United States Steel Corporation you do know there was a combination in almost every line of the steel industry?

Mr. FARRELL. No, sir; I must say that I do not.

Mr. BEALL. What company were you connected with?

Mr. FARRELL. I was in the wire manufacturing business. I was not in the rail business or the pig-iron business or the manufacture of steel billets or plates or the commodities made by the Carnegie Steel Co.

Mr. BEALL. Was it not a matter of general knowledge or general information among those engaged in the steel business in any capacity that these pools had been formed among the different manufacturers?

Mr. FARRELL. I know nothing more about it other than I have read in the proceedings before this committee.

Mr. BEALL. The testimony here shows, Mr. Farrell, that the plate pool and many of these other pools were made and continued in operation until about 1904. Is not that right?

Mr. BARTLETT. Yes.

Mr. FARRELL. You had that testimony.

Mr. BEALL. That the purpose of these pools, of course, was to maintain prices.

Since 1904 the prices have been maintained somehow, as a general rule.

How have these agreements or these understandings or this spirit of cooperation been developed? And how has this operated?

Mr. FARRELL. If the market is active and there is a demand, prices work up a little.

Mr. BEALL. Since 1904 there have been times when the market was extremely active, and there have been times when the demand was reduced?

Mr. FARRELL. Yes. It was during the panic of 1907.

Mr. BEALL. The tide has ebbed and flowed?

Mr. FARRELL. Yes.

Mr. BEALL. And yet how has the price of steel rails been maintained at $28 a ton from 1904 up to 1912?

Mr. FARRELL. The price of steel rails is too low at the present time, considering the quality of material we are obliged to furnish to the railroads.

Mr. BEALL. From 1904—I repeat the question—notwithstanding the ebb and flow of this demand, we have had good business and bad business, and yet in some way the price of steel rails has been maintained at $28 a ton; you have advanced the price of labor, the price of many other things has increased, the price of some commodities may have decreased some time during this period, but it strikes us as peculiar that during all this interval of so many years the price of steel rails by your company and by your competitors has been maintained and fixed and uniform at a basis of $28 a ton. What is your explanation of that?

Mr. FARRELL. If the Pennsylvania Steel Co. desires to quote $28 a ton for their rails, there is no good reason why we should quote $27 a ton if $28 was the market price. It is easy enough to know what the price of rails is. Any railroad manager will tell you what the price of rails is.

Mr. BEALL. You have had equal facilities for informing yourself about the prices of other things. Why has there not been the same stability in regard to the price of other steel products?

It is a fact that during the nineties there were violent fluctuations in the price of steel rails, is it not?

Mr. FARRELL. Yes.

Mr. BEALL. They went down to an extremely low price. At other times, when the demand was very great, they went beyond the $27 a ton price.

Mr. FARRELL. Yes.

Mr. BEALL. But soon after 1900, or about 1900, in some way the price of this product was fixed at $28 a ton, and it remained there for a period of 10 years?

Mr. FARRELL. It is a fact that the price of rails has remained at $28 a ton, but it has never been fixed in the sense that I understood your question to imply.

Mr. BEALL. Why did they fluctuate so in the nineties?

Mr. FARRELL. I could not answer that question.

Mr. BEALL. What influences have been at work upon steel rails during the past 10 years that did not operate upon the industry during the preceding 10 years?

Mr. FARRELL. The matter largely resolves itself into the character of the specifications that the mills are now obliged to work to. I have made some notes on the rail question here, if I might read them?

Mr. BEALL. I shall be very glad to have it.

Mr. FARRELL. The public demands, and rightly, that railroad transportation shall be safe and that rails shall not break. I am absolutely convinced that if the railroads are to accomplish this they must be prepared to face a greater wear of steel rails. In other words, under the severe and often unknown demands of modern railroad traffic, choice must be made between safety and wearing quality in steel rails.

Beginning about 1890, the railroads of the United States began to ask for higher carbon in steel rails in order to secure greater wear; and the rail makers unwisely, and many times under protest, made the quality of steel demanded. Gradually the specifications called for still higher carbon, until to-day I believe the steel is within the

danger zone of brittleness. The carbon is so high that we get the brittle rail.

It is true that many of these hard rails never break, but the liability to breakage is much greater than in the old-time softer steel; and the influence of the unavoidable contingencies of manufacture, such as seams, pipes, and segregation, is much greater. In many respects the steel is more doubtful, more dangerous, and more treacherous. It is unquestionably, in my judgment, an unsafe grade of steel, in view of the severe conditions of service.

If safety is to be the first consideration, lower-carbon, softer steel would seem to be necessary. With such steel the various unavoidable defects or variations of commercial rails would be far less dangerous. Seams, pipes, and segregations would all be less dangerous. Less likely, also, to cause breakage would be the cold working in straightening, and the many contingencies of track and rolling stock would be less likely to cause breakage.

The breakage of rails is frequently caused by improperly ballasted track, uneven bearings on cars, flat wheels, engine-driving wheels being out of round or badly worn, unbalanced driving wheels, center of gravity of engine too low, slipping of engine drivers, and prolonged low temperature.

I believe I am correct in stating that harder steel is used in rails in the United States than in any other country, and yet our wheel loads and train loads are much greater than those on foreign roads.

The British Board of Trade, which has authority in such matters in Great Britain, would consider the high carbon used for rails in this country as dangerous, especially as our phosphorus, in Bessemer rails at least, is also higher than theirs.

When, with increased weight of motive power and rolling stock, it became necessary to strengthen bridges, engineers did not try to do so by using a harder and higher tensile strength steel. They increased the amount of metal of the kind they had been using, because they knew they must have a safe steel and a large factor of safety.

At the present time we are rolling some rails for the New South Wales Government, for which they are paying us $100 per ton, not $28. They are manganese steel rails, to be used on curves and grades.

The engineers of railways should not endeavor to overcome the increased wear of rails under modern conditions by using a rail that is so high in carbon that it is likely to be brittle. You might say that a soft rail would wear out more quickly. The old soft rails, under the conditions of their day, gave very satisfactory wear, and it is my belief that that wear would be less rapid than most people estimate; providing, of course, the section of rail is heavier. Instead of using an 80-pound rail with lower carbon, they might use a 90-pound rail—a heavier rail which would give more actual metal to be worn away before the rail becomes too weak.

In my opinion the proper course for railroads to pursue is to use a heavier rail of softer steel, making safety the prime object, and getting the maximum wear they can under such conditions.

Mr. BARTLETT. Then the price of $28 a ton is one that the railroads have fixed, in place of the steel manufacturers?

Mr. FARRELL. Pardon me; at the present time, some railroads—I believe the Lehigh Valley Railroad, for instance—are paying $34 to $35 a ton for rails.

Mr. BARTLETT. That is a different rail from the $28 a ton rail, is it not? It is a better rail?

Mr. FARRELL. Yes.

The CHAIRMAN. $28 is the minimum price for the standard steel rail?

Mr. FARRELL. Steel manufacturers to-day are druggists. They are dealing with prescriptions from the railroad. The railroad has an idea that they want a rail made of a certain quality——

Mr. BARTLETT. The question I wanted to see if you could answer was this: The price of $28 a ton was a price which had been fixed by agreement between the railroads and the steel manufacturers, or who had fixed it as a price? You seem to suggest that it is not an adequate price.

Mr. FARRELL. I want to say that there has been no fixing of the price of rails. I want to make it clear, so that it probably will not be necessary to ask that question frequently. There has been no arrangement fixing the price of rails.

The CHAIRMAN. I find, on May 25, 1903, in an extract from the minutes of the Carnegie Steel Co., Mr. Corey makes the statement:

> I also observe from a letter of one of our agents the Tennessee Coal & Iron Co. are offering rails in the South at $2 above the agreed price.

What did you understand by the "agreed price?"

Mr. FARRELL. I do not know. I can not speak for Mr. Corey. I can not speak for those minutes. I am only talking of my own personal knowledge of these matters, so far as they have come within my purview, or my jurisdiction, or my knowledge.

Mr. REED. What was the date of that, Mr. Chairman?

The CHAIRMAN. May 25, 1903.

Mr. BARTLETT. Is the price uniform as to rails in this country, $28 a ton; and does that same price apply generally to orders for rails to be shipped to foreign countries?

Mr. FARRELL. No, sir. May I digress for a moment?

Mr. BARTLETT. Yes. Answer me in any way you please about that.

Mr. FARRELL. The price of rails in England is $28.50 a ton; in Germany it is $28.75; in Belgium it is $28.13—that is the equivalent of £5 16s.; in France it is $32.81—that is the equivalent of 170 francs; in Russia it is $35.46, or its equivalent in roubles; in Italy it is 155 lire, which would be $36.89; and in Canada it is $32 a ton.

The price of rails in this country is lower than the price of rails in any country in the world producing steel rails.

The price in Canada is $32. Railroads having lines crossing the border pay $28 here for steel rails, and they pay $32 across the border.

Rails are not going to be any cheaper if the railroads continue to exact from the manufacturer the conditions of more discard—for example, producing an ingot and cutting it in sections and throwing away the rest of it. Of course, it goes back into the furnace again, but it is no better than scrap.

What was your question, Judge Bartlett?

Mr. BARTLETT. I asked if the price of $28 a ton in this country for rails manufactured in this country applied generally to the sale of rails for use in foreign countries.

Mr. FARRELL. In other words, as I understand it, you desire to know as to whether——

Mr. BARTLETT (interposing). I desire to know whether, when you sell rails for export, they are sold at $28 a ton generally? I do not mean in New South Wales, but generally.

Mr. FARRELL. As I understand, you desire to know whether the consumer of rails in this country——

Mr. BARTLETT (interposing). I desire to know whether the price of $28 per ton for rails applies to export sales as well as for the home sales?

Mr. FARRELL. If you will kindly permit me, I would like to state the question.

Mr. BARTLETT. Is the uniform price——

Mr. FARRELL (interposing). I would like to state the question as I understand you are asking it.

As I understand, you desire to know whether the price of rails to the consumer in this country is more than the cost of rails to a consumer in a foreign country?

Mr. BARTLETT. I do not mean the cost, but the price.

Mr. FARRELL. The price; yes.

I would like to give you the average price paid by foreign consumers for rails over a period from June 1, 1909, to May 31, 1911.

Mr. YOUNG. That is, rails sold by the Steel Corporation?

Mr. FARRELL. Yes; rails sold by the Steel Corporation subsidiaries.

Mr. GARDNER. And of the same specifications?

Mr. FARRELL. The ordinary specifications.

Mr. GARDNER. The $28-a-ton specifications?

Mr. FARRELL. If you so term it.

Mr. GARDNER. I mean the ordinary specifications which go into a $28-a-ton rail.

Mr. REED. The kind of rail you can buy for $28 a ton here. Is that what you mean?

Mr. FARRELL. Yes; practically.

Mr. GARDNER. You said "practically." Let us be clear in our minds about this now.

Mr. FARRELL. For this reason: A man might want 0.09 phosphorous. Another man might want 0.08½. We are not going to charge any more for the difference in the phosphorous, but it is not exactly the same quality, from a steel maker's point of view.

Mr. GARDNER. What I want, and I suppose what the other gentlemen on the committee want, is a comparison of international prices on rails with substantially the same specifications under which the $28-a-ton rails are sold in this country.

Mr. FARRELL. Yes. Will you bear with me for a moment until I try to explain my interpretation of that question again?

Mr. GARDNER. If you will restate the question; but, as you did restate the question, it was not clear to my mind that you were comparing the same kind of rails.

Mr. FARRELL. I desire to have the opportunity to state it again. I would like to answer this question, if I am permitted to state it, as I understand it.

As I understand it, you say that the price of rails to the consumer in this country is $28 a ton?

Mr. BARTLETT. That is what we understand.

Mr. FARRELL. You desire to know whether the consumer in other countries pays more or less than that?

Mr. BARTLETT. Yes.

Mr. YOUNG. For substantially the same rails.

Mr. FARRELL. For substantially the same rails. The average price per ton received for rails sold from June 1, 1909, to May 31, 1911, to consumers in foreign countries—that is, the laid-down cost to them—was $31.07 a ton for the same rail, substantially, as we sell in this country at $28 a ton. That is to the consumer in the foreign country.

Mr. BARTLETT. You said the "laid-down" price?

Mr. FARRELL. That is the price to the man who buys it.

Mr. BARTLETT. What is the price at the factory?

Mr. FARRELL. The price at the factory, of course, is less. But I understand the claim has been made that the foreigner gets his material cheaper——

Mr. BARTLETT. My question is, what you sold steel rails to foreigners for, of the same specifications, approximately, as the rails for which you charged $28 a ton to the American consumers?

Mr. FARRELL. I am going to tell you in a moment what we received at the mill.

Mr. BARTLETT. All right; state it in your own way, so far as I am concerned.

Mr. FARRELL. I want to state that the men in foreign countries pay more for their rails than does the American consumer; and the sum total of all these shipments over a period of 18 months shows that we receive $31.07 for these rails—that is, the consumer paid that $31.07—as compared with $28 as the price which the consumer in this country paid. Some of those rails were sold at $33 a ton, delivered.

Of course the element of freight enters into it. If we have to ship material 18,000 miles, we pay freight to carry that material 18,000 miles. Where a maker in Russia or Austria may be contiguous, perhaps, to the consumers or the delivery point or closer to it than we are, he might pay one-third of the freight that we do; but if we want that business we have to carry the rails there.

So that in the case of rails, for which we received $33.12 per ton, the resultant price at the mill was $24.98, because we paid the difference between $24.98 and $33.12 to get them to the consumer; we paid the freight, but the consumer pays the delivered price. That was his factory, f. o. b., not considering freight, $24.98?

Mr. BARTLETT. For rails of the character of which we have been talking, the American user of steel rails pays at your factory, f. o. b., $28 a ton. For the same character of rails the foreigner pays at your factory, f. o. b., not considering freight, $24.96?

Mr. FARRELL. He does not buy them f. o. b. our factory. He buys them cost, insurance, and freight——

Mr. BARTLETT. But you make the cost to him at your factory $24.98?

Mr. FARRELL. That is the resultant price to us, but that is not the cost to him.

Mr. BARTLETT. The price to him, then, is $24.98 at the factory; that would be the price to him if he pays the freight?

Mr. FARRELL. We could not sell rails f. o. b. our mill to a man in Moscow. He would not know what the freight was from Pittsburgh to Baltimore or from Baltimore to Odessa.

Mr. BARTLETT. You get less per ton, regardless of freight, at your factory for the rails sold to the foreign consumer than you do for rails sold to the home consumer, do you not?

Mr. FARRELL. The resultant price to us on foreign rails is $24.98——

Mr. BARTLETT. And to the home consumer it is what?

Mr. FARRELL. $28.

Mr. BARTLETT. Yes.

Mr. FARRELL. That is correct; but I want to get it clear that the foreigner does not buy rails as cheaply as the American consumer does.

Mr. McGILLICUDDY. Is there a profit in rails at $24.98 a ton?

Mr. FARRELL. There is a small profit——

Mr. McGILLICUDDY. So much so that you engage in that business and solicit the foreign trade?

Mr. FARRELL. For the reasons that I have stated this morning——

Mr. McGILLICUDDY. Whatever the reasons, that is the fact, is it?

Mr. FARRELL. If you are going to state the question, I think you should allow me to make the answer.

Mr. McGILLICUDDY. I am perfectly willing. But there is a fact of a living profit on rails at $24.98 a ton?

Mr. FARRELL. I would not call it a living profit.

Mr. REED. On one transaction. Mr. Farrell is not giving the average price at the mill on these foreign orders. He has not come to that.

Mr. McGILLICUDDY. I thought he was giving the prices on these $28 steel rails. That is substantially it, is it not?

Mr. FARRELL. They are substantially the same.

Mr. McGILLICUDDY. That is right?

Mr. FARRELL. That is substantially correct.

Mr. McGILLICUDDY. The difference to the consumer is the increase in freight, but you make a profit on those rails at $24.98 a ton.

Mr. GARDNER. There has been so much confusion before this committee and the Committee on Ways and Means when a witness has answered the question, Can you make a profit at a certain price? Then, afterwards, when that is quoted, somebody says, "Oh, but he meant a profit on the mere factory cost," or "He did not include overhead charges."

You mean that you can make a profit if all your rail making were conducted on such a basis——

Mr. FARRELL. No; we could not.

Mr. GARDNER. Let me, for the sake of the record, state my question so that there will not be any confusion of mind in the discussion in the future.

You say you make a profit on rails which you sell at $24.98 per ton at the mill f. o. b. What do you mean by profit; a profit over what?

Mr. FARRELL. Of course our profits are not confined to individual transactions. The profit is the average return received for the production of the plant, whether it is 10,000 tons a day or 2,000 tons a day.

Mr. GARDNER. Do you include your overhead charges, your proportional share in your overhead charges, in saying that you make a profit?

Mr. FARRELL. They all come in to make up the overhead cost.

Mr. GARDNER. And that is all calculated when you say that you make rails at a profit when you sell them for $24.98 a ton?

Mr. FARRELL. It is like a reservoir. You pour all this business into the reservoir and you get a level, an average price.

Mr. GARDNER. That is to say, that if your whole rail business, that is, the rail business of the same specifications as your $28-a-ton business, was made up and sold at $24.98 a ton, instead of being sold to the American consumer at $28 a ton, then there would be a profit to you in it?

Mr. FARRELL. It would not be an attractive business.

Mr. GARDNER. But would there be a profit?

Mr. FARRELL. There is a varying profit. For instance, there is less profit in rails sold at $24.98 a ton than there would be in rails sold at $28 a ton.

Mr. GARDNER. But, taking all the expenses of your business—I do not say that the profit would be 6 per cent on the investment, or what it would be—there would be some kind of a profit, good, bad, or indifferent, if your whole rail business were conducted at the price of $24.98 in lieu of the price of $28 a ton? That is what I am trying to get at.

Mr. FARRELL. There would be a profit, but we could not expend six or seven million dollars to rehabilitate plants when they had reached the obsolete period.

Mr. GARDNER. You might use that money to greater advantage, of course; but what I want to get at is whether there would be an actual profit over expenditures?

Mr. FARRELL. I could only state that, in a general way, there would be a moderate profit in the business. I could not state——

Mr. GARDNER. That is what I want to get at.

The CHAIRMAN. While we are on this rail question, I want to ask a question or two.

Were you connected with the United States Steel Products Co. on October 18, 1904?

Mr. FARRELL. Yes, sir.

The CHAIRMAN. At what price were you then selling steel rails c. i. f. Nuevo Laredo, Mexico?

Mr. FARRELL. Is this in 1904?

The CHAIRMAN. Yes.

I read a letter in this connection:

UNITED STATES STEEL PRODUCTS EXPORT CO.,
New York, October 18, 1904.

FERRO CARRIL DE TAMAULIPAS,
Mr. JACKSON, *President, Nuevo Laredo, Mexico.*

DEAR SIR: Following our advices of yesterday with reference to your order for 1,500 tons rails 70 section, would say that based on furnishing Carnegie standard specifications that we have option of shipping 5 per cent of this tonnage in second-quality rails $25 per gross ton, all c. i. f. Nuevo Laredo, Mexico, in bond. If our understanding as to second-quality rails is not entirely correct, we should be glad to have your prompt advices by wire, and in this connection we await your confirmation instructions as to section and rail drilling.

We assume that you are sending us, with confirmation of your order, full instructions as to name of party at border who will attend to customs for your account. For your information would say that we contemplate routing shipment via Galveston and Laredo. Mill will likely ship the rails by November 1, and we would therefore be glad to receive from you by telegraph full information in line with our several letters of yesterday.

Yours, very truly,

UNITED STATES STEEL PRODUCTS EXPORT CO.

This is a copy of a letter in which they said you sold rails at that time at $25 a ton delivered in Mexico.

Mr. FARRELL. That was in 1904?

The CHAIRMAN. October, 1904.

Mr. FARRELL. I remember the transaction. The gentlemen who were connected with that transaction were Dick Bros. Co., bankers, in Philadelphia, and another concern, building a railroad in Texas, who endeavored to buy those rails for export under a subterfuge; and when they found they had difficulty in bringing them back across the border, by reason of the fact that the shipment was covered for drawback, they got angry about it. If they had told us that they wanted to carry those rails to Mexico and take them back again into Texas we would have endeavored to put them in a position to buy the rails for Texas.

The CHAIRMAN. Why was it profitable to those fellows to attempt to do that? How far was it from Laredo to the Mexican border?

Mr. FARRELL. Just a bridge across to Nuevo Laredo——

The CHAIRMAN. How far was that from the Texas border?

Mr. FARRELL. Across the Rio Grande.

The CHAIRMAN. Why was it so profitable for them to lie to you about it?

Mr. FARRELL. Simply because they were going to make the difference between the price of rails in this country and for export.

The CHAIRMAN. Did they not have to pay the freight?

Mr. FARRELL. Across the bridge?

The CHAIRMAN. Did they not have to ship these rails into Mexico and then bring them back across the border?

Mr. FARRELL. They took them across the river.

The CHAIRMAN. That is what I am driving at. Why was it profitable to them to pay freight on rails into Mexico and then bring them back across the border into the United States?

Mr. FARRELL. My own impression is that they never paid any freight; that they made an arrangement with somebody to shunt the cars back over the bridge——

The CHAIRMAN. Why was it profitable to pretend they were going to pay the freight?

Mr. FARRELL. I do not know——

The CHAIRMAN. How much cheaper was it for them to ship the rails to the Mexican side and then back across the Rio Grande?

Mr. FARRELL. We sell rails for export at lower prices than we do for consumption in this country; and they endeavored to buy these rails for shipment to Mexico because the price was lower for Mexico than it was for the United States.

The CHAIRMAN. Then there was a foreign country in which you were selling rails cheaper than you were selling them to this country?

Mr. FARRELL. Certainly.

The CHAIRMAN. How much cheaper?

Mr. FARRELL. It depends on conditions.

The CHAIRMAN. They quote $25 a ton. Is that correct? Did you agree to sell them at $25 a ton?

Mr. FARRELL. They were second-quality rails; they were seconds.

Mr. BEALL. Only 5 per cent of them were seconds.

Mr. FARRELL. Perhaps; but that would make a difference, because we can not sell second-quality rails to the railroads in this country,

and whenever any foreign country will take them we make a discount and——

The CHAIRMAN. What was that rail selling for in this country?

Mr. FARRELL. The second-quality rail? We could not sell it.

The CHAIRMAN. The other quality—the 95 per cent. What were they selling for in this country?

Mr. FARRELL. $28 a ton.

The CHAIRMAN. They would have made just $3 a ton by that transaction if they had managed to fool you?

Mr. FARRELL. I do not believe I would have indulged in the practice for the sake of making the whole cost of the rails if I had been in their position.

The CHAIRMAN. Then the rails were to be delivered in Mexico for $25?

Mr. FARRELL. I understand that was the price f. o. b. at the mill.

Mr. YOUNG. What does "c. i. f." mean?

Mr. FARRELL. Cost, insurance, and freight; cost at the works, and the insurance and freight to destination.

But they endeavored to take advantage of a mistake. Is that letter signed by a man named Corbett?

Mr. BEALL. It is not signed in any name.

Mr. FARRELL. That is a copy, I presume.

Mr. BEALL. It is signed "United States Steel Products Export Co."

Mr. FARRELL. Is it a copy of a letter you received?

Mr. BARTLETT. It is a copy of a letter they sent.

Mr. FARRELL. I am very familiar with this transaction, because it was a rather peculiar circumstance.

In the first place, the man that made the quotation made a mistake in quoting the price "c. i. f." instead of "f. o. b." Then, in the second place, these people bought the rails under a subterfuge, if I may use that term, for use in Mexico, and hauled them back across the Rio Grande to the Texas side.

Mr. BEALL. I understand those rails were really designed to be used in Texas. That was the purpose?

Mr. FARRELL. Apparently that is correct.

Mr. BEALL. If they had made known that purpose to you you would have charged them $28 a ton f. o. b. the factory?

Mr. FARRELL. Our export company had nothing to do with the domestic business, but I will assume that the domestic company would have made that price.

Mr. REED. Except for the seconds?

Mr. FARRELL. Except for the seconds, of course.

Mr. BEALL. If they were sold under this letter they would have been delivered on the Mexican side, freight paid, for $25 a ton? And I believe you state that the agent, you think, made a mistake in that?

Mr. FARRELL. He did. I remember this transaction distinctly, even to the extent of the names of the people who indulged in the transaction, and also the gentlemen who sent you the letter. I can no doubt tell you the name of the man who sent you this letter, because he has endeavored to to make a lot of trouble over this matter. It has been before the Ways and Means Committee, I think, and he has had it up with Senator Bacon. It has been a perennial proposition.

Mr. BARTLETT. The man that had the matter up with Senator Bacon was Mr. Raoul.

Mr. FARRELL. Gaston Raoul.

The CHAIRMAN. You are guessing wrong.

Mr. BARTLETT. I knew him very well.

Mr. FARRELL. I can, no doubt, give you the name of the gentleman who sent you this letter, Mr. Chairman.

The CHAIRMAN. Very well; you can give it to me now.

Mr. FARRELL. No. I want to be certain first.

Mr. BEALL. What was the freight per ton at that time on rails from some plant of the United States Steel Corporation over to the Mexican side?

Mr. FARRELL. $3.05 a ton. That was $1.45 from Pittsburgh to Baltimore, and $1.60 freight from Baltimore to Galveston by sailing vessel.

Mr. BEALL. What about the freight from Galveston to Laredo?

Mr. FARRELL. I could not answer, offhand, what that rate is.

Mr. BEALL. Probably as much as the freight from the mill to Galveston.

Mr. FARRELL. It might be.

Mr. BEALL. So a contract made under this letter would have sold the rails at a cost of about $20 at the factory?

Mr. FARRELL. You understand that this is a mistake that we are talking about?

Mr. BEALL. I understand that you claim it was intended to be f. o. b., while the letter says "c. i. f." But if the rails had been bought under this letter—under the contract described in the letter—the Steel Corporation would have received something like about $20 a ton for the rails?

Mr. FARRELL. If they had been bought at that price.

Mr. BEALL. While, if they had been bought for use on the Texas side the Steel Corporation would have received $28 a ton?

Mr. FARRELL. Possibly.

Mr. REED. If the clerk did not make another mistake.

The CHAIRMAN. Do you know George Baker, the general manager of sales of the Illinois Steel Co.?

Mr. FARRELL. I am acquainted with him; yes.

The CHAIRMAN. Is he a reliable and capable man?

Mr. FARRELL. Entirely so.

The CHAIRMAN. I wish to read you a letter, signed by George Baker, general manager of sales, Illinois Steel Co., addressed to Mr. G. Jackson, president Ferro-Carril de Tamaulipas, Nuevo Laredo, Mexico, reading as follows:

Replying to your favor of the 5th instant, and referring to subsequent correspondence in relation to 1,000 to 1,500 tons of American Society 65 or 70 pound rails and accessories, we are pleased to submit the following prices:

First-quality rails, per gross ton	$34.70
Second-quality rails, per gross ton	33.70
Angle bars, per 100 pounds	1.50
Bolts and square nuts, per 100 pounds	2.35
Bolts with hex nuts, per 100 pounds	2.70
Spikes, per 100 pounds	1.90

All f. o. b. Laredo, Tex.

These prices contemplate furnishing either 30-foot and 33-foot lengths with 10 per cent of shorts and 5 per cent of seconds, and we could rebate the price of first-quality rails to $26.75 per gross ton and of the second quality to $25.75 per gross ton delivered as above, upon receipt of evidence that the material

has been shipped into Mexico. We would arrange for shipment about September 1, as per your message of the 5th instant.

Trusting you may be able to favor us with your order, we remain,

Yours, truly,

GEORGE BAKER,
General Manager of Sales.

Do you remember that transaction?

Mr. FARRELL. No. Of course, I remember the method of quoting is correct, except the material would have been covered for a drawback, and part of that material was made here. Those rails would have been made partly from imported material, on which we would obtain a drawback; and in order to collect the drawback we have to have evidence of export; in order to prove our claim to collect the drawback from the Government.

The CHAIRMAN. But if you had sold the rails they would have cost $34.70 per gross ton, and with evidence of export the price would have been dropped down to $26.75 per gross ton?

Mr. FARRELL. Yes; we are giving customers the benefit of the drawback that we would have obtained from the Government on the material imported.

The CHAIRMAN. Did you import any ore or pig iron?

Mr. FARRELL. It was ferrosilicon and ferromanganese.

The CHAIRMAN. How much?

Mr. FARRELL. As I remember the quantity of ferromanganese and ferrosilicon——

The CHAIRMAN. I mean, how much would it amount to on those articles, in duty?

Mr. HUGHES. The duty on the material was $4 a ton.

The CHAIRMAN. $4 a ton on the ferrosilicon?

Mr. FARRELL. On the ferrosilicon, the ferromanganese, and spiegeleisen. At that time it was $4 a ton, and it was reduced to $2.50 under the Payne-Aldrich tariff.

The CHAIRMAN. How much would the drawback have been on that?

Mr. FARRELL. Mr. Hughes says the amount recoverable would have been 35 cents per ton.

The CHAIRMAN. Is it not true that you can make a large rail at a less relative cost per ton than a small one?

Mr. FARRELL. It is not. We are rolling small rails on electrically driven mills that are to a large extent automatic and do not require the attention and care of rolling large rails, and if we make a defective rail in a large section we are throwing away a larger amount of material than if we were making a smaller rail.

The CHAIRMAN. What you throw away you put right back into the furnace, however?

Mr. FARRELL. Yes; but it involves some cost.

The CHAIRMAN. Some little.

Mr. FARRELL. Considerable.

The CHAIRMAN. Does it not take about the same number of men to roll a 30-pound rail that it does to roll a 100-pound rail?

Mr. FARRELL. No; a man might lift a small rail to better advantage.

The CHAIRMAN. They do not lift them from the time your bloom goes into the rolls until the rail comes out?

Mr. FARRELL. There are a considerable number of manipulations. It has to be.

The CHAIRMAN. You have the same number of rolls in a small rail as in a big one?

Mr. FARRELL. Approximately; but larger pressures in the case of the big rail.

The CHAIRMAN. Do you mean to say that the relative costs per ton is greater in making a 100-pound rail than it is in making a 80-pound rail?

Mr. FARRELL. Yes. Mr. MacRae will get all that information when he gets into the costs.

Mr. GARDNER. I would like to ask the witness a few questions.

I am very much confused in my own mind as to just what this $28 a ton price for steel rails means.

In the first place, what proportion, roughly speaking, of the rails that you sell for domestic consumption are sold for $28 a ton?

Mr. FARRELL. What proportion of them? I should say to-day that not more than half of the rails are sold for $28 a ton.

Mr. GARDNER. About half are sold for $28 and the other half at other prices?

Mr. FARRELL. I think some railroads pay more money. For example, the Pennsylvania Railroad has a certain specification for rails for which they pay $1.55 extra, to get a certain chemistry. And they are now formulating another specification, and we have been unable to determine in our own minds as to what the actual cost of making that rail is going to be.

Mr. GARDNER. Supposing the Pennsylvania Railroad, for instance—do they send you their specifications and say, "What will you make these rails for"?

Mr. FARRELL. The first inquiry nowadays is, "Can you make rails to these specifications"?

Mr. GARDNER. That being answered in the affirmative, what is the next question?

Mr. FARRELL. The price.

Mr. GARDNER. And when you give them the price, how is your price calculated?

Mr. FARRELL. I must confess it has been largely an estimate for the past year or two, because nearly all of these specifications differ in their chemical properties, in their physical tests, the amount of discard from the ingot, and the general testing.

Mr. GARDNER. And these new specifications, new requirements, cost more money?

Mr. FARRELL. Yes.

Mr. GARDNER. When you are starting to figure out, do you figure $28 for ordinary specifications, and then say, "These new specifications are $1.55 additional," and render a price of $29.55, or do you figure it all from the base?

Mr. FARRELL. We commence at a basis of 1.25 cents a pound.

Mr. GARDNER. You commence at a price of 1.25 cents a pound, figuring out $28 a ton?

Mr. FARRELL. That is equivalent to $28 a ton, but it does not sound quite so large.

Mr. GARDNER. But we are used to the $28 term. Call it 1.25 cents a pound. You begin with that as a basis?

Mr. FARRELL. Yes.

Mr. GARDNER. How do you calculate the additional price that you are to charge?

Mr. FARRELL. By the amount of alloys that we may have to use in the melt, and the amount of discard from the ingot, and the amount of inspection necessary.

Mr. GARDNER. How many pounds do you calculate to the ton?

Mr. FARRELL. In rails?

Mr. REED. All steel is calculated on gross tons, it is not?

Mr. FARRELL. Not all steel for sale, but in rails 2,240 pounds. It has been so for years, and I do not think it has been changed.

Mr. GARDNER. 2,240 pounds?

Mr. FARRELL. Yes.

Mr. GARDNER. And 1.25 cents a pound; that figures out $28 a ton.

Mr. FARRELL. But we do not think of rails at $28 a ton. We think of them at 1.25 cents a pound.

Mr. GARDNER. You think of them at 1.25 cents a pound, and then you proceed to add on whatever extra cost may be involved on account of the different specifications?

Mr. FARRELL. That is correct; yes, sir.

Mr. GARDNER. Supposing that the basic price of rails was to drop to $24 a ton, then you would begin all over again on a basis lower than the 1.25 cents a pound, would you, to calculate the price you were to charge?

Mr. FARRELL. That would naturally follow.

Mr. GARDNER. That is what I am trying to get at. Whether you calculated the thing de nevo or whether you began with the $28 rate as a basis. That is all I wanted to ask, Mr. Chairman.

Mr. BEALL. I wish to ask a few more questions.

I understood awhile ago, in talking with Mr. Stanley about that last rail matter, where the difference was about $7 or $8 a ton, that you stated that you gave your customer the benefit of the drawback provision of the tariff?

Mr. FARRELL. Yes.

Mr. BEALL. How much did I understand you then to say that you got back in the way of a drawback upon the material that went into that ton of rails imported—about 35 cents?

Mr. FARRELL. In this particular case we lost it. We were unable to collect it.

If you will allow Mr. Hughes to make the statement for me he can tell you how we lost the drawback on those rails.

Mr. BEALL. I really do not think it is material. In this particular case you lost it, but when you sold the rails you intended to get it back?

Mr. FARRELL. It was considered in the price; yes.

Mr. BEALL. It was considered in the price?

Mr. FARRELL. Yes.

Mr. BEALL. Did I understand you to say that that amounted to about 35 cents?

Mr. FARRELL. In that case; yes. It might vary, you know.

Mr. BEALL. In this particular case, what was the difference in price, about $7 or $8?

Mr. BARTLETT. $6.27.

Mr. BEALL. At the time you made that price you expected to get that 35 cents back and you intended to give your customer the benefit of it?

Mr. FARRELL. Yes.

Mr. BEALL. Giving him the benefit of it, you got a difference, still, of about $6?

Mr. FARRELL. I have not analyzed the price. I understood Mr. Stanley to say that the price delivered to Nuevo Laredo was $34 and something.

Mr. BEALL. First quality, $34.70.

Mr. FARRELL. Does it state what the freight is?

Mr. BEALL (reading):

We could rebate the price of first-quality rails to $26.75 per gross ton, and of the second quality to $25.75 per gross ton, delivered as above, upon receipt of evidence that the material has been shipped into Mexico.

In other words, to deliver it to Laredo would cost $34.70?

Mr. FARRELL. Yes.

Mr. BEALL. But to deliver to New Laredo—that is, just across the line—would cost $26.75, which would be a difference of $7 and something—$7.95, I think it is?

Mr. FARRELL. You are talking about second-quality rails there?

Mr. BEALL. No; that is in regard to first-quality rails. It is the difference between $34.70 and $26.75—I think it is $7.95, and the drawback upon the imported material that went into that ton of rails would be 35 cents, about?

Mr. FARRELL. Yes.

Mr. BEALL. Making still a difference of about $7.60.

This morning there was something said about your statistical bureau that you had organized?

Mr. FARRELL. Yes.

Mr. BEALL. I would suppose that that was organized for the purpose of gathering statistics of all kinds from all places, such statistics as you might need in the conduct of your business?

Mr. FARRELL. For our own information.

Mr. BEALL. You are in a position to determine pretty accurately what the Bethlehem Co., for example, or some of these other competing companies, can manufacture their pig iron for?

Mr. FARRELL. No, sir.

Mr. BEALL. Take the Republic Iron & Steel Co. They do not import their material, I believe?

Mr. FARRELL. No; I think not.

Mr. BEALL. Are you not in a position to know just what it would cost them to produce a ton of pig iron?

Mr. FARRELL. I have not the remotest idea.

Mr. BEALL. Your statistical department is in possession of that information, is it not?

Mr. FARRELL. The statistical department is not concerned with the operation of other companies. They are concerned entirely with our own business, and the statistics that I referred to this morning were the Government statistics, which were received from the Department of Commerce and Labor.

Mr. BEALL. Your statistical bureau is in a position to get the necessary statistics for determining the cost of a ton of pig iron to the Republic Iron & Steel Co., is it not?

Mr. FARRELL. I do not know what might happen if we were to ask them for the information.

Mr. BEALL. I do not mean by asking them; but are you not familiar with the conditions under which they manufacture their steel products, sufficiently to enable you to determine almost exactly what a ton of pin iron would cost them to produce?

Mr. FARRELL. No.

Mr. BEALL. You know where they get their ore, or at least you could know?

Mr. FARRELL. Yes; we could probably find out.

Mr. BEALL. If it were a matter of interest to you to find out what your competitors had to expend in order to produce their product, if that were a matter of concern in this day and generation, you could find it out? You would know where they got the ore; you would know what it cost; you could ascertain that, could you not? You could find out how far they would have to transport it?

Mr. FARRELL. We might ask them for that information.

Mr. BEALL. I do not mean asking them for it. You are in a position, without asking anything of them, to find it out, are you not?

Mr. FARRELL. I am sorry to say we are not. We might guess at it.

Mr. BEALL. You would know where they got their ore?

Mr. FARRELL. Yes.

Mr. BEALL. Representatives of the steel company have some knowledge about the value of ore, have they not?

Mr. FARRELL. I presume so.

Mr. BEALL. You could ascertain how far they would have to transport it?

Mr. FARRELL. Yes.

Mr. BEALL. You could determine the amount of the transportation charges, could you not?

Mr. FARRELL. Yes.

Mr. BEALL. You could find out how far they would have to transport their coal and their coke and limestone and every other product that goes into the production of a ton of pig iron? All that information is available? If it were a matter of interest to ascertain these things, you could find out what the labor cost was, and all that? Is it not a fact that the representatives of the Steel Corporation have at hand the opportunity of discovering the cost to their competitors of the production of almost any material that they do produce?

Mr. FARRELL. No, sir.

Mr. BEALL. Why not?

Mr. FARRELL. Because, it would simply be an estimate, and the information would not be reliable. There are a great many conditions operating in different companies. There may be a good many independent companies to-day that are manufacturing material cheaper in some places than we are making it in some of our plants. We are not laboring under any delusion as to our prowess at all.

Mr. BEALL. I think Judge Gary said before the Ways and Means Committee that the United States Steel Corporation could produce certain products at $2 cheaper than any other competitor.

Mr. FARRELL. Probably it can.

Mr. BEALL. Was that simply an estimate, or was that based upon fact?

Mr. FARRELL. I presume Judge Gary's statement must have been based upon fact. I have a high regard for any statement which he might make. Undoubtedly, it would be accurate. But you are asking for my personal knowledge of these things, as I understand.

Mr. BEALL. Is there any competition between the United States Steel Corporation and other corporations engaged in the manufactures of steel?

Mr. FARRELL. Is there any competition?

Mr. BEALL. Yes.

Mr. FARRELL. Why, I do not believe the prices of any manufacture in the United States to-day are alike.

Mr. BEALL. Why is it, then, that Judge Gary said that the age of competition had passed. What did he mean by that?

Mr. FARRELL. He meant, I think, that competition would lead to a destructive condition in the industry which would result, possibly, in the bankruptcy of companies and the embarrassment of others and the reduction of wages.

Mr. BEALL. There has never been any embarrassment of any companies; there has never been any bankruptcy of any companies; there has never been any reduction in the wages paid to employees, as I understand, of the steel companies lately. None of these results have followed that you say would follow competition; and yet you say that there is competition?

Mr. FARRELL. The reports of the different companies which are coming out or will be coming out in the next few months would answer your question.

There is no doubt whatever that there are a great many companies to-day in the steel business that are not getting the cost of manufacture out of the present prices. I think in the case of one company the total profits on their business for the first six months of 1911 were $35,000.

Mr. BEALL. You say the reports would show that?

Mr. FARRELL. Yes; the reports will show that. I shall be glad to get you some of the reports. They are public.

Mr. BEALL. Your position is that there is competition now. Is it free, unrestricted competition?

Mr. FARRELL. Absolutely.

Mr. BEALL. The kind of competition that ordinarily prevails in any line of industry?

Mr. FARRELL. There is a competition in the steel industry to-day that leads to bankruptcy and which will inevitably lead to a reduction in the wages of the employees.

Mr. BEALL. I thought that you considered the cooperation had been so developed by the Gary dinners and other Christianizing influences of that kind that destructive competition was a thing of the past.

Mr. REED. I am afraid it has been blighted in Washington.

Mr. BEALL. It is to be hoped so.

You think, then, Mr. Farrell, that there is free, open, unrestricted competition now?

Mr. FARRELL. There certainly is.

Mr. BEALL. But is your idea that competition is destructive, that it will result in bankruptcy; that it is a bad thing, anyway?

Mr. FARRELL. There is no question about it. If you apply it——

Mr. BEALL (interposing). And this old idea that has been prevailing in business for so many centuries, that competition is the life of trade, has been all a delusion?

Are you also one of the apostles of this new cult that is being developed in the country, that the Government ought to step in and regulate and fix the maximum price for the products of these corporations? Do you agree with Mr. Gary, Mr. Carnegie, and the other apostles of that idea, and Mr. Perkins?

Mr. FARRELL. Is that a personal question?

Mr. REED. He wants your personal opinion.

Mr. BEALL. I would like to have your personal opinion about it.

Mr. FARRELL. I have written it out. I thought possibly I might be asked the question.

I do not suppose that my opinion on the subject is of any particular value. If you prefer to confine this inquiry to the industry, I shall endeavor to answer all the questions you wish to put to me, but if you want my ideas on this subject, I shall be glad to give them, although I do not consider them of value.

Mr. BEALL. It is an interesting question, Mr. Farrell, and rather a new one.

Mr. FARRELL. I am not a publicist.

The CHAIRMAN. We are more anxious for your opinion on that account. [Laughter.]

SUPERVISION OF CORPORATIONS.

Mr. FARRELL. I believe that it is important for the Government to assume the power of such supervision of corporations engaged in interstate traffic as will result in full and clear publicity of their general operations, their receipts and expenditures and profits and losses, in order to protect investors and the people generally. Such supervisory board could not only be authorized to compel such necessary publicity, but empowered in the case of any corporation not presenting information as to the details required by the law which may be enacted, to investigate into the conduct of its business, with a view to full exposition of its methods. Such publicity as I have in mind is along the lines of the information that has been freely and fully given out by the United States Steel Corporation in its annual reports and frequent statements.

The fixing of prices by Government authority: Speaking entirely as an individual and giving my personal views without any knowledge of what might be the views of other officials and directors of the United States Steel Corporation, it would appear to be absolutely impracticable for the Government to attempt to fix prices of all commodities, even those manufactured only by the steel industry, in view of the hundreds of thousands of variations of shapes, sizes, sections, gauges, kinds, qualities, etc. When it is considered that it requires a large corps of experts in each of the manufacturing companies of the United States Steel Corporation alone to determine the costs of hundreds of thousands of articles or variations of such products as those companies make, it can be readily understood that it would require hundreds of experts merely to determine suitable prices for the steel industry alone, without considering the thousands of other industries in the United States, each of which would be equally entitled to have prices fixed on their multitude of products.

If the questions be considered from the standpoint of fixing maximum prices, it would seem to be equally impracticable, for the reasons just cited, as well as the difficulty of satisfying the many manufacturers engaged in the same lines of trade, each of whom have different costs of manufacture to produce the same or similar articles. It would seem unnecessary to point out the many other objections, including the necessity of frequently altering the fixed prices to accord with the laws of supply and demand, the changeable costs of manufacture contingent on the volume of production and other exigencies of manufacture. As a natural corollary to the fixing of either changeable or maximum prices would be the inevitable necessity of fixing maximum and minimum wages to labor, as it is necessary, according to theorists and economists, that the wages of labor must be commensurate with the article which it manufactures or which it directly or indirectly consumes.

Suggested method of insuring fair prices: If it should be asked, however, granting the necessity of Government supervision of corporations under Federal incorporation, whether mandatory or voluntary, as in the wisdom of Congress might be determined, and conceding the impracticability of fixing prices, how a fair price to consumers and manufacturers alike may be insured with the object of avoiding (*a*) the exacting of excessive prices from consumers; (*b*) any possible oppression of their competitors by manufacturers with larger capital or better facilities for economic production; (*c*) avoiding destructive competition whereby weaker producers would be driven out of business; (*d*) the impoverishment of people dependent on such industries, loss of employment, or reduction of wages—it is suggested as being worthy of consideration, a law similar to that which obtains in Canada—you are no doubt familiar with that law in Canada—and which in effect is the practice in Germany.

When it might appear to the Government board of superivision, either on their own initiative, or from the complaint of any considerable body of consumers, that prices in any line of industry are unreasonably high, they should be empowered to make inquiry into the facts, to call upon manufacturers to disclose their profits, and to determine and indicate to manufacturers their opinion as to the reasonableness of their price, subject, if necessary, to review by the courts as to any contention that prices were confiscatory.

Likewise, when, in the opinion of any body of manufacturers, it should appear necessary, in order to prevent destructive competition, the lowering of wages, the impairment of plants, throwing workmen out of employment, and other similar evils through reduction of prices to levels which would not permit efficient plants to operate at a fair profit, it should be permissible for manufacturers or the owners of plants to enter into agreement as to such reasonable prices as might be necessary to prevent such results. To avoid the possibility of such manufacturers agreeing on excessive prices there would be the remedy of the opportunity of appeal by consumers to the Government board of supervision, and the consequent publicity, which would act as a restraint upon manufacturers from fixing excessive prices; penalties, such as forfeiture of Federal incorporation or other suitable means of redress could be enforced, if necessary, to dissuade manufacturers from maintaining prices adjudged to be either excessive or ruinously low.

The foregoing suggestion is not by any means a novel or original one. It is in effect that which is permitted in Canada, Germany, and other foreign countries, the object of whose Governments is apparently to foster industries rather than to tear them down. Such Governments not only allow reasonable prices to be fixed by agreement, but require them to be fixed for the protection of manufacturers, consumers, and labor alike.

Mr. BEALL. As I understand, your position is that it is not possible for the Government to step in and go to the extent of fixing even a maximum price, for the reason that you have so clearly stated?

Mr. FARRELL. Would you accept that brief as an answer to your question, Mr. Beall?

Mr. BEALL. Yes.

Then the alternative would be the breaking down of the laws as they exist to-day that forbid the kind of agreements such as you have mentioned. You would have to repeal all the laws forbidding monopoly and restraint of trade—the Sherman Act and everything like that?

Mr. FARRELL. Not necessarily. I do not believe in the repeal of the Sherman Act, but I believe the Sherman Act should be amended so as to enable manufacturers to know what they can do. We do not know now what we can do.

Mr. BEALL. If this theory that was suggested here first by Judge Gary should be put in operation, and some governmental agency should be required to fix a maximum price as a basis for its action, it would be necessary for that agency to be fully advised as to the cost of any article, would it not?

Mr. FARRELL. Are you asking my opinion with respect to the testimony that has been given?

Mr. BEALL. No, sir; I am asking your opinion if a certain policy should be pursued by the Government that has been suggested here, whether or not it would be necessary for that commission, or whatever you might term it, to have accurate, full, and complete information as to the cost of any and every article the price of which they would attempt to regulate; and that condition would bring about the very condition against which you protest to-day; it would advise all the world of the cost of any article made by American manufacturers?

Mr. FARRELL. As I understand the Sherman law, it is designed to prohibit monopoly?

Mr. BEALL. Yes.

Mr. FARRELL. As the Sherman law is designed to prohibit monopoly, which would inevitably result from destructive competition, driving the weaker competitors out of business, it should be equally clear that it should permit such agreements among manufacturers as to prices as would enable them to avoid the destructive competition which is impliedly prohibited.

Mr. BEALL. Why should manufacturers be singled out and be given the right to combine and the right denied to all other classes of people? What peculiar sanctity is there about the business of manufacturing that should entitle manufacturers to that exceptional privilege?

Mr. FARRELL. I read some time ago of a meeting of governors—I think it was in Montgomery, Ala.—with respect to the price of cotton. I do not exactly understand what the subject matter of their

conference was, but I gathered from the newspaper reports that they had convened for the purpose of establishing a price on cotton.

I have also read of the Burley tobacco pool—which, I think, is in Mr. Stanley's district—where they pooled their issues and got their tobacco together and hold it for 7 cents a pound. Is that so?

Mr. BEALL. Yes; and they have been prosecuted by the Federal Government.

The CHAIRMAN. We have no Burley tobacco in my district.

The Burley Tobacco Society was sued, and they received at the hands of a Federal judge the other day the same fate that the labor organizations have all had, namely, that, being a labor organization, they were necessarily a combination in restraint of trade.

Mr. FARRELL. I am not familiar with the details of the matter.

The CHAIRMAN. It appears that any labor organization is liable to get its toe in the crack if it gets in the courts with the Sherman law facing it. I have been hopeful that, the law being so efficient in reaching farmers' organizations and labor organizations, it might sometime be applied impartially.

Mr. FARRELL. There certainly should be no distinction.

Mr. BEALL. I call your attention to one distinction. Some months ago representatives of the tobacco industry of Kentucky came here and sought a conference for the purpose of finding out the views of a certain agency of the Government as to whether or not a certain course of procedure would or would not be in violation of the law. They were told that it was not the province of the executive department of the Government to advise them as to whether, in doing a certain thing, they would or would not violate the law.

Mr. FARRELL. They are not the only people that have been told that.

Mr. BEALL. It is quite different from the attitude of a certain department of the Government toward certain other gentlemen who came and sought information upon that point.

Mr. FARRELL. Not in our industry.

Mr. BEALL. When the Tennessee Coal & Iron Corporation was transferred there was some sort of assurance given.

Mr. YOUNG. I think that is hardly a fair statement, Brother Beall. The statement was that nothing could be said which would change the law or change the attitude of this corporation.

Mr. BEALL. But that, so far as a certain individual was concerned, he saw no objections to it.

Mr. YOUNG. That he saw no reason why he should take any action. He has gone, and another has come.

Mr. BARTLETT. And may he stay gone. [Laughter.]

I want to ask the witness some questions.

Mr. FARRELL. Are you likely to require me here to-morrow, Mr. Chairman?

The CHAIRMAN. It is hard to tell. I do not wish to curtail the questions of any member of the committee, and I wish to ask you about the rest of these subpœnas.

Mr. FARRELL. I am perfectly willing to remain here until to-morrow, but I have a very important matter that I should have attended to earlier to-day, if you could excuse me now.

The CHAIRMAN. If that is the case, I would suggest that we have Mr. Gray here and other witnesses; and if it suits your convenience,

we will be delighted to accommodate you and let you come again in the morning.

Before you go——

Mr. BARTLETT. I do not think I shall be with the committee to-morrow.

The CHAIRMAN. Then go ahead with your questions, Mr. Bartlett.

Mr. BARTLETT. No; I am through.

The CHAIRMAN. I did not mean to interrupt Judge Bartlett's question, Mr. Farrell, but I wish to have it understood about this subpœna for the maximum and minimum production costs of the products of the subsidiary companies of the United States Steel Corporation.

It is understood that those cost sheets will be turned over to Mr. MacRae, and, of course, the committee will use its discretion in making use of them.

Mr. REED. Since the receipt of Mr. Farrell's subpœna we have been unable to run through the large number of cost sheets and pick out and condense those showing the maximum and minimum costs for individual plants. It is a large task to do this and submit the data in the same general form in which the average costs have been submitted. We will furnish the information as rapidly as we can do the work.

I have no doubt that when Mr. MacRae comes a large part of that work will have been done.

That applies only to the northern furnaces. As far as the southern furnaces are concerned, there can be no maximum and minimum, because there is only one plant.

You have asked Mr. Farrell to produce the production costs for various individual plants.

With a great deal of work we have managed to get the production costs of four out of six plants you mentioned. The other two will be ready within the week. The failure to have them all ready is due to lack of time. Mr. MacRae will get all of those in due order.

The CHAIRMAN. What I am speaking about now is the original cost sheets. They will be submitted to Mr. MacRae.

Mr. REED. Whenever he needs them to verify these condensations that we have made.

The CHAIRMAN. If he chooses to make copies from them, he will be at liberty to do it?

Mr. REED. I would advise him to take a great many clerks with him if he undertakes that.

The CHAIRMAN. I do not think it will be necessary, but I want them turned over to him, to use as he thinks best.

Mr. REED. If he thinks best, and the committee thinks best, that will have to be done. We think we have saved him all that work.

Turning them over to Mr. MacRae does not mean publication at his discretion, but only after the committee has had an opportunity to determine the question?

The CHAIRMAN. Any statement made by Mr. MacRae is only made to members of the committee.

Whereupon, at 5 o'clock p. m., the committee adjourned until to-morrow, Tuesday, January 23, 1912, at 10.30 o'clock a. m.

No. 38

UNITED STATES STEEL CORPORATION

HEARINGS

BEFORE THE

COMMITTEE ON INVESTIGATION OF UNITED STATES STEEL CORPORATION

HOUSE OF REPRESENTATIVES

TUESDAY, JANUARY 23, 1912

WASHINGTON
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1912

UNITED STATES STEEL CORPORATION.

COMMITTEE ON THE INVESTIGATION OF THE
UNITED STATES STEEL CORPORATION,
HOUSE OF REPRESENTATIVES,
Tuesday, January 23, 1912.

The committee this day met, Hon. Augustus O. Stanley (chairman) presiding.

The CHAIRMAN. The committee will resume its session. Mr. Farrell, will you please take the stand.

STATEMENT OF J. A. FARRELL—Resumed.

The CHAIRMAN. I wish to return to this subpœna duces tecum and get through with it.

The next item I want to call to your attention, Mr. Farrell and Mr. Reed, is:

Statement showing distribution of the bonus funds between wage earners and those employees receiving salaries.

Mr. REED. Mr. Chairman, perhaps Mr. Farrell had better answer, but my information is that no data has ever been compiled to show that—that there is nothing in the office of the company to show it, and it would take weeks to get it together.

There is no objection at all to giving the general information, and Mr. Farrell can, no doubt, give you orally the substance of what such a statement would show.

Mr. Farrell was subpœnaed to produce data showing the distribution of the bonus fund, as it is called here, between wage earners and those employees receiving salaries.

Mr. BARTLETT. There is a general statement in some of these reports of the Steel Co., and Judge Gary and somebody else testified about the plan.

Mr. REED. The plan is in evidence in the minutes of the corporation and in other ways, but the distribution, the exact amount paid wage earners and salary earners, has not been given, and we could not possibly have compiled it for the committee in time to have it here to-day. Mr. Farrell, however, can orally give the substance of what such a statement would show.

The CHAIRMAN. Very well, Mr. Farrell.

Mr. FARRELL. Every year the finance committee of the United States Steel Corporation authorize the setting aside of a certain amount of money to be allotted to employees as rewards. We do not call it a bonus. We call it a reward for efficiency, in metallurgical research, inventions, and so forth.

Last year the total amount was $1,450,000. That money is distributed over something like 30 companies.

Mr. BARTLETT. You spoke about the distribution of the money. Is that a different arrangement than if you would permit them to buy stock?

Mr. FARRELL. We do not make them buy stock.

Mr. BARTLETT. Permit them, I said.

Mr. FARRELL. I beg pardon. It is entirely different from the stock-subscription plan. The stock-subscription plan is a voluntary plan. There is a certain amount of stock allotted every year, and it is always oversubscribed by the employees. In several years there has not been sufficient allotted.

Mr. BARTLETT. That is, you are speaking about——

Mr. FARRELL. The fund that is set aside every year to be paid to a large number of employees—perhaps 4,000 employees—as a reward for efficient work.

Mr. BARTLETT. A sort of a yearly Christmas present?

Mr. FARRELL. No, indeed. There are various objects for which it is given—principally, for instance, in the development of labor-saving devices, the development of mechanical invention, methods of utilizing by-products or waste products. There are innumerable causes for which it is given.

The CHAIRMAN. You know what this bonus fund or reward is for—you know to whom it is paid?

Mr. FARRELL. The money is allotted to the different subsidiary companies, and the president or the board of directors of those companies——

The CHAIRMAN. Could you not tell me, generally, whether it is the day laborer or the salaried man who is the beneficiary of that fund? Who, to the greater extent, is the beneficiary of that fund?

Mr. FARRELL. I should say it goes largely to the workmen and the foremen and what we would call not necessarily the ordinary employees, but employees. For example, at our Lorain works we have at the entrance to the mill a question box, and every man working in that plant who has an idea or who has any criticism or any suggestion to make can place his question or his criticism or suggestion in this box, and it comes to the attention of the management there.

There was a prize of $500 paid to a workman—a car pusher—for a design of a bar for pushing a car along the trestle or coal hoist. This money is paid for multifarious ideas.

The CHAIRMAN. This money is paid for extraordinary service?

Mr. FARRELL. It is a reward for effort. When we went to school we were given a merit or something of that kind for having accomplished something. The same principle is applied to our business.

Mr. BARTLETT. It is an incentive to increased effort on the part of the employees?

Mr. FARRELL. Not necessarily increased effort. Perhaps a man might have an idea, and he would not bring it forward. There are a good many people in this world to-day carrying things around in their head, and the public and the world never get the benefit of them.

Mr. BARTLETT. Still, it is more of an incentive than if you did not have it?

Mr. FARRELL. Oh, yes.

The CHAIRMAN. You keep some record of the persons to whom this money is paid?

Mr. FARRELL. The subsidiary companies would have those records. For example, at the close of the season of navigation on the Great Lakes there are rewards given to the men for having accomplished certain things during the season of navigation.

Mr. REED. Certain things of what kind, Mr. Farrell?

Mr. FARRELL. For example, three of our vessels' crews saved lives; one captain and crew saved the lives of 13 people who were on a vessel that was sinking in the lake in a storm; and it was not only heroic and humanitarian work, but they took a great risk. There were three instances like that.

The CHAIRMAN. That was just a bonus given in acknowledgment of heroism, like the Carnegie hero medal? You have no sum set aside for hero medals, have you, in this business?

Mr. FARRELL. No; we have not any hero medal business in ours at all.

The CHAIRMAN. I would think not.

Mr. FARRELL. But we do reward men for meritorious work of all kinds.

The CHAIRMAN. As I understand it—and I have not carefully analyzed this plan, much as I intended to—you have, for instance, a certain amount of stock, we will say, that is distributed among your employees, and they are allowed to subscribe for it and to pay for it along?

Mr. FARRELL. Yes.

The CHAIRMAN. Suppose a man drops out; what becomes of his stock? Suppose he ceases to pay or is discharged from the mill?

Mr. FARRELL. He gets his money back.

The CHAIRMAN. He gets back the amount he has paid in?

Mr. FARRELL. Absolutely.

The CHAIRMAN. Have you not some arrangement by which——

Mr. REED. He gets back the amount he has paid and interest, Mr. Chairman.

Mr. FARRELL. And interest, of course. That goes without saying.

The CHAIRMAN. Suppose a certain number of men go in and take up stock, or become eligible to purchase this stock, and they become incompetent or you find them disloyal, or they drop out, is there some arrangement by which the successors are substituted to their rights?

Mr. FARRELL. Each employee who subscribes to stocks gets a bonus of $5 a year on his stock.

If a man leaves our employment, and he has paid for his stock, or partly paid for it, he gets his money back, with interest; but the $5 bonus that he would have been entitled to is spread over the 40,000 other employees who are stock subscribers, and at the end of the period of time they get what is equivalent to an extra dividend. At the end of each year, while an employee continues his subscription and remains in the service, he is credited $5 as soon as he has fully paid up the subscription (always within three years), the stock is delivered to him. Thereafter during the five-year cycle he is paid in cash $5 annually so long as he continues to hold the stock. At the end of the five-year period he receives, if he still has held his stock, a pro rata payment from the fund arising from forfeitures—

that is, the fund accruing from the $5 per share sums that would otherwise have been paid to subscribing employees who canceled their subscriptions or who sold their stock after fully paying for it.

The CHAIRMAN. The survivors get that?

Mr. FARRELL. Yes.

The CHAIRMAN. It is a kind of a tontine arrangement?

Mr. FARRELL. I am not familiar with the insurance business, Mr. Chairman, and I could not tell you as to that.

Mr. BARTLETT. That is a delusive thing, anyhow—that tontine arrangement. I have had personal experience about that.

The CHAIRMAN. What I want to get at is something that I can not get from the published statements definitely, and that is whether this bonus and this gratuity, or this manna, that is thrown out from the hands of the Steel Corporation, is eaten by the high-class employee or whether a portion of it, and if so, what portion, is secured by the day laborer. It may be just idle curiosity on my part, but I want to know whether this bonus is a reward to the man higher up, to the high-salaried clerk, to the foreman for his efficiency and his loyalty and his vigilance, or whether it goes to the fellow that gets $1 or $2 a day, and how many of that class share it. It looks as if there should be some record to show that.

Mr. FARRELL. It goes to everybody meriting it. For instance, we had a man on one of our railroads that invented a device——

Mr. BARTLETT. What did he do? What was his work?

Mr. FARRELL. This man was a brakeman. He invented a dumping mechanism on a car which made it safer to dump the car, minimizing the chance of personal injury, and that man received a bonus, or reward, as we call it.

The CHAIRMAN. That is not a part of this fixed sum—that is an arbitrary thing, is it not——

Mr. FARRELL. It is not a part of the stock-subscription plan.

Mr. REED. You are not answering the chairman's question, Mr. Farrell.

The CHAIRMAN. He gives me specific instances.

Mr. REED. You say that is not a part of this sum, and Mr. Farrell says it is not a part of the stock-subscription plan. I do not think you heard the chairman's question, Mr. Farrell. You started to answer before he finished the question. The record will not appear straight if you do not correct that.

The CHAIRMAN. You have a stock subscription and you permit your employees to subscribe for a certain amount of stock, which you sell to them on time at somewhat more liberal terms than the terms on which you sell to outsiders. That is one thing.

Then I understand there is a bonus fund—a welfare plan—by which men are paid additional wages, not for discoveries nor for rescuing people out of the lake, or perfecting electrical apparatus, or some patent or chemical formula, or anything of that kind. As I understand, all these concerns—the Republic Iron & Steel Co. and all the rest of them—have their laboratories and the like of that, and if a man is skilled in machinery and patents something it is the custom not to patent it as against his employers; they have a shop right in it; and, on the other hand, it is customary for the employer, in consideration of permitting the corporation to use this thing that he could patent, or does patent, to make him a reward in some way.

Those things are the reward of genius or of daring, and neither genius nor daring are expected—I mean, that is not the thing that you find in 40,000 employees. That is here and there. You might offer a reward for the best poem, but you do not expect your employees to be poets or skilled swimmers or chemists.

What I am trying to get at is what this broadly distributed bonus that goes to each man who does extra work or does his work extra well is distributed for; how the man gets it, when he gets it, and who gets it.

Mr. REED. Let me call attention to a misunderstanding between Mr. Farrell and the chairman.

There are two funds. Every employee, whether he be a wage earner at $1.75 a day or a high official, who subscribes for stock under this subscription plan—and I might mention, parenthetically, that the high officials are limited to a very few shares—gets, in addition to the regular dividends on his preferred stock, a special additional dividend of $5 per share each. Really he receives $12 in dividends each year on his preferred stock.

Mr. BEALL. Instead of 7 per cent?

Mr. REED. Instead of 7 per cent.

That is one fund and everybody shares in that who is continuously in the service and who subscribes for stock.

The CHAIRMAN. Not to interrupt you, Mr. Reed; I understand from this plan that you limit the amount of this preferred stock that shall be sold to a man earning $20,000 a year, to a man earning $10,000, to a man earning $5,000 a year, and to a man earning $800 a year; and you distribute that in proportion to their earning capacity?

Mr. REED. No; let me correct you, Mr. Chairman; not in proportion to their earning capacity. As their salary increases, the amount that they can subscribe for diminishes.

The CHAIRMAN. I mean inversely in proportion to their wages or their salaries.

Mr. REED. I doubt if that is exactly a mathematically correct statement, Mr. Chairman.

The CHAIRMAN. The details of it I care nothing about. You distribute it on a scale that is based on the salaries paid?

Mr. REED. Yes. That is one fund.

The CHAIRMAN. That is one fund. Let us take that fund; do you know how much of that fund is now held by men who earn salaries? You can surely tell how much of that goes to the men that earn wages, and how much of the stock is now held by the men that earn salaries.

Mr. REED. As to that point, we can enlighten you.

The CHAIRMAN. That is what I want to know.

Mr. FARRELL. You understand, Mr. Chairman, that every workman has a right to subscribe to the stock.

The CHAIRMAN. I understand that.

Mr. REED. In 1910, the last year for which statistics are available, there were 5,923 men receiving under $800 a year who subscribed for stock. There were 10,344 men receiving between $800 and $2,500 a year who subscribed for stock.

Mr. BEALL. Who had subscribed for stock for that year, or does that represent the total number of stockholders up to the end of that year?

Mr. REED. Thank you for making that clear. That represents the number who subscribed in that year and does not include the subscribers during the previous eight years.

Mr. GARDNER. Supposing a man had subscribed to 10 shares in the previous eight years and then took 10 shares more in that year. He would be included?

Mr. REED. He would be included as one of the subscribers of 1910.

Mr. GARDNER. I was just trying to get the record straight. I had understood so from what I had read.

Mr. REED. Of men receiving more than $2,500 a year there were 1,096 subscriptions.

The CHAIRMAN. How is that, Mr. Reed?

Mr. REED. One thousand and ninety-six men who received more than $2,500 a year subscribed for stock in 1910 under this plan.

The CHAIRMAN. Can you tell me the total amount of stock held by men in the $800 class, the total amount in the $2,000 class, and in the $10,000 class, and so on, in those various classifications you have given? You have given the number who subscribed for stock, but not the amount of stock for which they subscribed.

Mr. REED. I can give you that, too.

The number of shares taken by employees receiving less than $800 in their subscriptions that year was 5,923; 1 share apiece.

The number of shares taken by those receiving between $800 and $2,500 a year was 14,122 shares.

The number taken by those receiving more than $2,500 a year was—a little hasty mathematics—4,535 shares.

The CHAIRMAN. Four thousand five hundred and thirty-five shares?

Mr. REED. Yes.

The CHAIRMAN. Will you just tabulate that statement and let it go into the record?

Mr. REED. Yes.

The statement is as follows:

Statement of number of employees of United States Steel Corporation subscribing for stock in that corporation in the year 1910, and the number of shares subscribed for by them.

Subscribers whose pay is under $800 per annum	5,923
Subscribers whose pay is between $800 per annum and $2,500 per annum	10,344
Subscribers whose pay is over $2,500 per annum	1,096
	17,363
Number of shares taken by subscribers receiving less than $800 per annum (all preferred stock)	5,923
Number taken by those receiving between $800 and $2,500 (all preferred stock)	14,122
Number taken by those receiving over $2,500 (all preferred stock)	4,535
	24,580

The CHAIRMAN. Is that statement a fairly representative statement of the years?

Mr. REED. As to the proportions?

The CHAIRMAN. Yes.

Mr. REED. They are fairly representative.

The total amount of stock subscribed was something less than in 1909 and 1908. It depends a good deal on the prosperity of the year.

The CHAIRMAN. An employee subscribes for this stock; he is paid on his stock, you say, 12 per cent, instead of 7 per cent; there is a $5 bonus on a share; when that employee drops out he gets back the actual cash he paid into the company?

Mr. REED. Plus interest.

The CHAIRMAN. Plus interest; yes.

Mr. REED. Provided he drops out before his subscription is completed.

The CHAIRMAN. You do not pay him the 12 per cent and the interest, too?

Mr. REED. No; but when his subscription is completed, he get his stock certificate, just as any other stockholder does, and, of course, the corporation's control over his stock ceases.

The CHAIRMAN. When it is paid for?

Mr. REED. When it is paid for; yes.

The CHAIRMAN. I see.

There is some arrangement there by which the survivors receive a proportion of the money that would have gone to the fellow that dropped, is there not?

Mr. REED. Yes.

The CHAIRMAN. How does that operate?

Mr. REED. One who drops out while his subscription is uncompleted forfeits this accumulated $5 a year that has been accruing on his stock. That drops back into the fund which is paid to all of the employees of that particular class. In that sense, there is a certain survivorship; but only in that sense.

The CHAIRMAN. Say half of them drop out. Do the other half, instead of getting a $5 bonus, get a $10 bonus?

Mr. REED. I think that is so; but I have not any positive information. I think it is prorated among the survivors. So I am told.

The CHAIRMAN. This $5 bonus is not paid at the end of each year, but it is credited on the books. Is that correct?

Mr. REED. It is credited on the subscription at the end of each year.

The CHAIRMAN. And it is not paid to them?

Mr. REED. No.

The CHAIRMAN. Until the total stock is paid for. They are allowed this $5 as a credit, and whenever the money that the man pays on his stock, plus this bonus, equals the face value of the stock, you turn the stock over to him like anybody else who has bought a share of stock?

Mr. REED. That is quite correct, Mr. Chairman, except in one respect. The price of the stock is not the face value. It is usually an arbitrary price, something less than the market value.

The CHAIRMAN. Whenever he pays the amount for which you agree to sell him the stock?

Mr. REED. Precisely.

The CHAIRMAN. I was going to ask you or Mr. Farrell this: If you discharge a man for any reason—suppose he does not quit, but he is not loyal or is not competent, and you discharge him—what becomes of that accumulated bonus?

Mr. REED. The same result follows as if he withdraws voluntarily. That is one fund.

The CHAIRMAN. So that this amount, say for 10 or 12 shares for each man, causes a large amount of money to be hung up that way, and this amount becomes, in a way, a hostage for his efficiency and loyalty?

Mr. REED. As an employee receiving under $800 is allowed to subscribe for one share of stock——

The CHAIRMAN. Is an employee receiving less than $800 only allowed to subscribe for one share of stock during his 25 years of service?

Mr. REED. No; one share each year.

The CHAIRMAN. Then he might have 25 shares at the end of 25 years; one share for each year?

Mr. REED. But 23 of them would be fully paid for.

The CHAIRMAN. I see.

Mr. REED. He would have two or three, at the outside.

The CHAIRMAN. Does he have to pay for the share in one year, if he subscribes in one year?

Mr. REED. It usually takes about three years, dependent upon the price.

The CHAIRMAN. Can he not take five years to pay for it?

Mr. REED. I am told that three years is the limit.

Mr. GARDNER. What is the biggest hostage you ever had?

Mr. REED. I do not know; but it is not very big, Mr. Gardner.

May I finish my statement, Mr. Chairman?

The CHAIRMAN. Certainly.

Mr. REED. That is part of this distribution of profits to employees. There is the other part, the reward fund, of which Mr. Farrell was speaking; and I think that one of his answers, where I interrupted him, was not responsive to your question.

You asked whether these special rewards for extraordinary ability were paid out of what you called the bonus fund, or the reward fund, and he answered that it was not a part of the stock-subscription plan.

All of those rewards are paid out of that fund. Last year it was about $1,400,000; and all rewards for extraordinary ability that are paid from the corporation come from that fund, do they not, Mr. Farrell?

Mr. FARRELL. Yes.

Mr. REED. Practically all?

The CHAIRMAN. That is the same fund from which this $5 bonus is paid?

Mr. REED. No; the $5 on the stock has nothing to do with it.

The CHAIRMAN. That is a bonus or reward fund; a separate and distinct fund?

Mr. REED. Yes. That is a fund appropriated by the directors at the close of the year, to be distributed among the subsidiary companies, and by them distributed to the most meritorious among their men.

The CHAIRMAN. Just as a prize?

Mr. REED. As a prize or reward.

The CHAIRMAN. For any extraordinary service?

Mr. REED. For any extraordinary service.

The CHAIRMAN. Have you any other fund besides those two?

Mr. REED. Of course, it is already in evidence that we have the pension fund for old employees, and we have the work accident relief fund.

The CHAIRMAN. Those are constituted in the same way?

Mr. REED. They have been explained already.

The CHAIRMAN. If the men remain in the service they get it, and if they do not, they do not.

Mr. YOUNG. The Carnegie fund applies to the men also?

Mr. REED. That has been consolidated with a fund of twice its size appropriated by the corporation. They have $12,000,000 now—I believe that is the amount—for pensions to aged employees. And those pensions, to correct the chairman, if I may, are paid regardless of whether or not the man is in the service of the corporation; because, usually, he is too old to be in the service.

The CHAIRMAN. I meant the pension is paid to the man only in the event that at the time he is pensioned he is an employee of the concern. I did not express myself as accurately as I might have done.

Mr. REED. Oh, yes.

And the work accident relief is paid regardless of where he works.

Mr. FARRELL. Those are voluntary funds. The men do not contribute to those funds.

Mr. REED. The men do not contribute to any of those funds.

Mr. BARTLETT. It is not taken out of their money?

Mr. REED. There is no assessment for any of the four funds I have mentioned.

The CHAIRMAN. I asked for a letter from Mr. Gayley, read at the meeting of the finance committee of the United States Steel Corporation November 10, 1893, showing average cost of carrying ore by the Pittsburg Steamship Co., Mitchell Fleet, and Wilson Fleet.

Mr. FARRELL. We have that letter, Mr. Chairman.

Mr. REED. We might as well produce that here.

The CHAIRMAN. Yes. We will just turn that over to Mr. MacRae when he comes.

Mr. REED. The rest of these papers we will have in New York for Mr. MacRae. They are too bulky for you to go through now, Mr. Chairman.

The CHAIRMAN. I have a request here, Mr. Reed, for furnishing tonnage of ore, coal, and other properties carried between ports upon the Great Lakes for the past five years, separating the tonnage of ore, coal, and other commodities.

Mr. REED. Mr. Chairman, that request we did not understand. If it means what it says literally, we have not either the data or the means of obtaining it. If it means only the tonnage transported by the Steel Corporation or the tonnage owned by the Steel Corporation and transported by itself and other persons, we can get the figures for ore without difficulty, and after a little while we can get the figures on coal.

The CHAIRMAN. I presume that is the intention.

Mr. REED. As to other commodities, it would be pretty hard to get them. We have the ore figures for Mr. MacRae at New York, and the coal figures will be ready within a week or two.

The CHAIRMAN. This was suggested by Mr. Mannington, and in his absence I will suggest that you furnish the ore and coal figures. You know your total tonnage?

Mr. REED. I do not know about supplies. There is a small amount of supplies. We can get the ore and the coal figures.

The CHAIRMAN. Yes; the ore and the coal figures, and the difference between that and your total tonnage——

Mr. REED. Would show it.

The CHAIRMAN. I think that would satisfy him. If not, I will communicate with you further.

I want to suggest, in order to save the Steel Corporation trouble and expense and in order to save the committee loss of time and unnecessary expense, that I will ask, if you have not already done so, that you communicate with the presidents of these companies.

Mr. REED. You mean as to the subpœnas for these books?

The CHAIRMAN. Yes.

Mr. REED. As we have already explained to the committee, we feel that we are in rather a delicate position in the production of minutes that were kept before we had anything to do with these companies. We feel that we would not be warranted in using any control that we might have over those minutes to have them bring those papers here.

Mr. BARTLETT. I do not think that was the suggestion of the chairman or of the committee. As I understand from Mr. MacRae's report, they declined to give them without—not the direction, but without the consent of the officers of the Steel Corporation.

Mr. REED. I might explain to Judge Bartlett that we are not in a position to decline anything that is subpœnaed.

Mr. BARTLETT. I understand that.

Mr. REED. If your committee subpœnas Mr. House to bring in the minutes of the Duluth & Iron Range away back in 1893, we are in no position to instruct him to ignore that subpœna.

Mr. BARTLETT. I understand.

Mr. REED. The idea in my mind was that I could save the committee expense by notifying the chairman or his office when Mr. House happened to be in the East, so as to avoid the necessity for sending a messenger all the way to Duluth and putting a needless expense on the committee. But we can not waive the service of the subpœna on him.

The CHAIRMAN. No. This is what I am suggesting: There are a great number of these books and papers that are a record of the acts and doings of these subsidiary companies since they became the property of the Steel Corporation—since this merger.

Mr. REED. The Universal Portland Cement is one that occurred to me in that class.

Mr. BARTLETT. Mr. MacRae stated in this letter to us that they were not produced because they were delayed by their saying that they would have to get into communication—I do not know that they used the word "consent"—but that they would have to consult with the officers of the Steel Corporation.

Mr. REED. I think that was the answer that some of these subsidiary presidents made when Mr. MacRae went directly to them. They did not want to do anything.

Mr. BARTLETT. My suggestion was, and I want to be absolutely correct about it, to say that you, so far as the Steel Corporation is concerned, had no desire of your own that they should withhold the books and papers.

Mr. REED. No. We shall, of course, do nothing to obstruct the service of the subpœna or to keep those books from being produced.

Mr. BARTLETT. I knew you would not.

Mr. REED. For instance, if Mr. Hager is subpœnaed to produce the Portland Cement Co.'s books, and they happen to be in Mr. Bolling's office waiting to be read, Mr. Hager is entitled to have those books to produce them before the committee. I think we would be in contempt of the committee if we did anything else.

The CHAIRMAN. My idea is that these books that contain the records of the proceedings of the operations of these companies since the consolidation are constructively in the control of the president of this company or of some other executive officer.

Mr. REED. Mr. Farrell can best answer that, Mr. Chairman. I do not think he has ever seen them.

The CHAIRMAN. He does not have to see them.

Mr. REED. I do not think he knows where they are.

The CHAIRMAN. The president of a bank need never see the books of the bank, but he is the man on whom process should be served. He can not say, "Ask the cashier. I never saw the books."

The fact that he has never seen them or knows nothing about their whereabouts is a matter between President Farrell and the Steel Corporation, but his knowledge of those books does not change at all his status as the person upon whom process should be served.

Mr. REED. It seems to me, Mr. Chairman, that the person to serve would be the custodian of the particular company whose minutes are wanted.

Mr. BARTLETT. The custodian; yes.

The CHAIRMAN. I will take this up with the committee, but the control of this company, as indicated by their minutes, is so extensive and their powers are so extensive that it is not like the ordinary case of a holding company. For instance, they must report every expenditure of $10,000 or over. These companies have nothing except a ministerial capacity. Their major operations are all directed by the one controlling head, and they all advise us along that line; that is their impression. Mr. Dinkey and all the rest of them, when we get after them, say: "We will consult New York. If they have no objection, all right. They are their books, and not ours. We have no right to do anything with these books until we are so directed by them."

I would suggest, for that reason, in order to save bringing Mr. Farrell back here and thrashing this thing out, or taking it up on the floor of the House, which would be very unpleasant to me, that I throw out the idea that a suggestion of Mr. Farrell to the heads of these departments of his entire willingness to have them furnish these books and papers, giving notice of the fact that subpœnas will be served on them, would save a good deal of trouble, time, and expense. Mr. MacRae is of the opinion that the majority of these books are in New York.

Mr. REED. I am not advised as to that, Mr. Chairman, but I can certainly answer the chairman's suggestion by saying that I would not want to represent a client who would deliberately instruct the presidents of his subsidiary companies to ignore the subpœna of this committee for the production of books which are in their custody.

The CHAIRMAN. I am asking that he do more than that, or suggesting it—that he notify the presidents of these companies of the fact that he considers them the custodians of these books and papers; that this suggestion be given by Mr. Farrell to the persons upon whom process is to be served, in order that they may know that they are the parties who must answer to this committee for a failure to obey its subpœna.

Mr. REED. I do not think there will be such a question about it. Each of those men feels that he is the custodian of the minutes of his company.

Mr. BARTLETT. Is there anything in the charter or by-laws or rules or regulations of the Steel Corporation as to what shall be done with the books of the old companies?

Mr. REED. Not a word, sir. I am sure of that.

Mr. DANFORTH. Is not the secretary of the Steel Corporation the man who is the actual custodian of the books?

Mr. REED. Of the books of the Steel Corporation; yes, sir.

Mr. DANFORTH. Does he not have control, in some way, over the books of the other corporations?

Mr. REED. I do not think he ever sees them.

Mr. FARRELL. There is a secretary of each company.

Mr. DANFORTH. Does he not, by reason of being secretary of the holding company, have control of the other companies' records?

Mr. REED. No, sir. He has no authority whatever over the secretaries of the other companies, and no control over their goods at all. There is a good deal of autonomy left in the subsidiary companies.

Mr. BARTLETT. You are the holding company?

Mr. REED. Yes; the majority stockholder.

Mr. FARRELL. The operations of the subsidiary companies are autonomous to a very large extent.

Mr. DANFORTH. If these books are, as surmised, in New York, at the offices of the United States Steel Corporation, are they not in the custody of the secretary of the corporation?

Mr. REED. I do not know that they are in New York in the first place.

Mr. DANFORTH. Assuming, for the sake of the argument, as seems to have been assumed by some of the members of the committee, that they are there, are they not in the custody of the secretary of the steel corporation?

Mr. REED. That depends on what assumption you make, Mr. Danforth. If you assume that they are in his office I will assume that they are in his custody.

Mr. DANFORTH. In the offices of the Steel Corporation?

Mr. REED. I do not know, sir. I can not answer that.

Mr. GARDNER. As a practical question, is there any objection to Mr. Farrell saying to the heads of the subsidiary companies, "Give us those books"?

Mr. FARRELL. It does not come under my function. I am in charge of the commercial and manufacturing operations of the corporation.

The chairman of the corporation and the finance committee are in charge of the finances and the books of the company, and the auditing and accounting.

Mr. GARDNER. Then I will say Mr. Gary instead of Mr. Farrell.

Mr. REED. A question like that would be referred to counsel as to whether these men were obliged to obey the subpœna, and counsel would have to tell them that they were. I do not think anybody in the corporation would dare to advise them otherwise.

Mr. GARDNER. It is very easy to see, to my mind, that the United States Steel Corporation is not the proper person to serve with that subpœna. They are the majority stockholders. We do not serve subpœnas on stockholders to produce books. Once a year they can impose their power. The rest of the year their power is purely advisory, and is disobeyed at the peril of the board of directors or the officers.

Mr. REED. That is it.

Mr. GARDNER. It seems to me the proper persons on whom to serve the subpœnas are the officials of the subcompany.

Mr. FARRELL. That is a clear statement.

Mr. GARDNER. As to back books that may be stored in the secretary's office in New York, there may be a different custody to those; but I am speaking of the current books of the company, and it seems to me it is perfectly simple for you to straighten it out, Mr. Reed.

Mr. REED. There is nothing to straighten out after your statement, Mr. Gardner. There is nothing left to straighten out.

The CHAIRMAN. We have been trying, Mr. Gardner, very patiently for about six months to get hold of these books.

I sent Mr. MacRae, with two assistants, to Pittsburgh to examine the books of the Carnegie Co. Mr. Dinkey was very courteous and he said he would be delighted to show them to us, but he was a mere employee without any discretion in the matter, and he would have to do exactly what they told him to do in New York. And he immediately called up Mr. Lindabury and others, and they waited two days there for counsel to advise and consult; and at the end of that time they were just where they had started.

They produced the books of the Carnegie Co. for a certain length of time. The rest they could not get.

They went, then, to see the president, I think, of the bridge company; and I think he told them that if Judge Gary or Mr. Farrell wanted to turn those books over to them, they could do it, but he would be damned if he would.

Mr. FARRELL. That does not sound like him, Mr. Chairman.

The CHAIRMAN. I do not know which one it was. It was one of the presidents of those companies, and Mr. MacRae has written me about it in a letter. I do not recall which one it was, but one of the presidents made that remark—to which I took no particular offense, even though the English was picturesque.

After being so advised by one after another of the presidents of the subsidiary companies, the chairman of the committee came to the conclusion that perhaps they knew, and that the proper thing would be to serve this process upon the president of this company, just as you serve a process upon the president of a railroad if you are suing that railroad, or the president of a bank if you are suing the bank.

Mr. GARDNER. They are not holding companies, Mr. Chairman. Banks and railroads are not holding companies.

The CHAIRMAN. I understand; but this holding company, you will find by examining the records very carefully, exercises a control that is broad and general and enters into the details of the business. This company, while it does not manufacture, does more than divide dividends. I felt, therefore, that the quickest way was to have Mr. Farrell here and find out. Since he has advised us that he is not the custodian of those books and has no control over them, of course we will move on the presidents of these various companies.

Mr. GARDNER. That is the natural place to move.

Mr. BARTLETT. We have a resolution already passed by this committee, introduced by Mr. Gardner, to that effect.

Mr. GARDNER. Precisely; to do exactly that thing.

The CHAIRMAN. There is no doubt but what we will get them or get the people who have control of them.

Mr. GARDNER. When you ask for a voluntary surrender of books and the directors are in continual touch with the majority stockholder, naturally they say they must consult New York; but if you issue a proceess to the person who is legally and properly in custody of the books, then they do not have to consult anybody except their lawyer, which they do, as a matter of fact, and obey the subpœna.

The CHAIRMAN. The subpœnas will be issued immediately to these various presidents, and we will see what they have to say.

Mr. GARDNER. Let me ask a question, Mr. Reed. Would not old books, even though they might be deposited for security in some place in New York, be constructively in the custody of the officers of the subsidiary corporations?

Mr. REED. In the custody of the officers of the subsidiary corporations that made those books.

Mr. GARDNER. You said awhile ago, in reply to a question, that if they were in the secretary's office you would think they were in the secretary's custody. It did not seem to me that that was necessarily so. They might be stored in the office of the secretary of the Steel Corporation and still be constructively in the custody of the secretary of the subsidiary corporation.

Mr. REED. I did not mean to be facetious, but that is what I had in mind in making that answer.

I agree with you perfectly, Mr. Gardner, that the president or secretary of the subsidiary company that made those books are the people who are in custody of them, in the sense in which that term is used in this matter.

Mr. GARDNER. Let us go a step further. Some of these subsidiary companies are in themselves holding companies?

Mr. REED. Yes.

Mr. GARDNER. And have never been amalgamated, even in themselves. Supposing we want the stock books of the Lorain Steel Co., which, I suppose, is a case like that?

Mr. REED. I think the Lorain Steel Co. still keeps its corporate existence.

Mr. GARDNER. That is to say, the National Tube Co. holds its stock. The proper person from whom to get the books of the Lorain Steel Co. would be the secretary of the Lorain Steel Co., would it not?

Wherever it is a case of a holding corporation, you must go to the corporation that is held?

Mr. REED. Exactly; and that is why, sir, I gave you the names of the officers yesterday of the very corporations whose books you asked for.

We have already explained our position at great length to the committee, that we think there is a trust relation that we owe to the former owners of those companies. The committee disagrees with us on that, and that is the reason we have to ask you to resort to your process, instead of our getting these books in some way and bringing them here.

The CHAIRMAN. We will serve the process on those companies.

I have here, Mr. Reed and Mr. Farrell, a process for Mr. W. B. Schiller, president of the Lake Terminal Railway. Is he here?

Mr. REED. Mr. Chairman, in accordance with the arrangement made with the committee's accountants and railroad experts, sanctioned by yourself, I believe, it was agreed that Mr. Schiller need not appear, if he sent the information that the committee wanted.

The CHAIRMAN. I will say right here that Mr. Mannington and Mr. Wooley requested this information, and I told Mr. Reed that as far as I was concerned he could furnish it to them and it would meet with my approval, but I preferred to consult the committee about it before taking any positive action.

Mr. YOUNG. What sort of information is it? Something contained in documents?

Mr. REED. Merely statistical data.

Mr. YOUNG. And those things have been furnished, have they?

Mr. REED. Not yet.

Mr. YOUNG. But they will be furnished?

The CHAIRMAN. Yes. They consist of statistics showing the total tonnage of all freight moved over the lines operated and controlled by the Lake Terminal Railway Co. for the fiscal year ending 1910, and statistics showing the total tonnage of freight received by said Lake Terminal Railway Co. from connecting lines, etc.

Mr. Reed says that Mr. Schiller, as I understand, agrees to turn over this information to Mr. Mannington, to the satisfaction of Mr. Mannington.

Mr. REED. Better than that, Mr. Chairman, I have the information prepared on the forms that Mr. Mannington approved. I have them here with me, and will give the information to the committee now. It is not very extensive. [Handing papers to the chairman.]

The CHAIRMAN. Thank you.

Mr. REED. That ought to have been signed, Mr. Chairman, but it is correct, and that is in the form suggested by Mr. Mannington.

The CHAIRMAN. All right.

Mr. DANFORTH. Mr. Farrell, you have been in charge of the export business of the Steel Corporation, I believe?

Mr. FARRELL. Yes.

Mr. DANFORTH. Do you happen to have seen an article by T. Good, published in the December number of the Atlantic Monthly, 1911, on the subject of the German, British, and American exports of steel products?

Mr. FARRELL. I read the article. Mr. Good is a writer who has frequently written similar articles with respect to the British iron and steel industry and the German iron and steel industry, and he has apparently turned his attention to the American iron and steel industry. I might say that while Mr. Good is a very fluent writer, his articles, with respect to the British and German industry, are just as pessimistic as the one that he has written for the Atlantic Monthly.

Mr. DANFORTH. What do you say with regard to the statements he makes in regard to the amount of exports? Are those figures accurate in this article?

Mr. FARRELL. I prepared a reply to the article of Mr. Good, not for publication, but for the chairman of our corporation, which, if I am permitted to do so, I will read.

Mr. DANFORTH. If it answers in detail these statements.

Mr. YOUNG. That seems to be rather a brief article that you have there Mr. Farrell, and I would like to hear it.

Mr. FARRELL. It remains to be seen whether it answers it or not. That is a matter of opinion.

Mr. DANFORTH. I would like to hear it.

Mr. FARRELL (reading):

A BRITISH VIEW OF THE STEEL CORPORATION.

The article under the above caption, by Mr. T. Good, in the December number of the Atlantic Monthly, is presented by its author as "a brief review and criticism of the American steel trade and of the big Steel Trust in particular, from a purely British point of view."

The writer of the article takes for granted and bases arguments upon a number of suppositions which have little or no foundation in fact. For instance, he says, "We find one company (the United States Steel Corporation) aiming apparently at a monopoly of the entire iron and steel industry of this country and actually controlling half the trade and owning half the capacity of production."

As a matter of fact, the steel corporation has never aimed at a monopoly; in fact, no one knows better than those who have created and managed this great corporation that a monopoly of the American iron and steel trade is neither possible nor desirable. Notwithstanding popular delusions to the contrary, there is no such thing as a monopoly or anything approaching a monopoly of the natural resources necessary to the successful conduct of the iron and steel industry. Perhaps the best proof of this is the undoubted fact (mentioned by Mr. Good himself) that, since the steel corporation began business 10 years ago, much new capital has been attracted to the country, many new furnaces and mills have been erected, and output has been largely increased. It is not conceivable that new capital, amounting to hundreds of millions of dollars, would have been invested in an industry dependent upon supplies controlled by, or which were in any danger whatever of being controlled by, a monopoly.

Mr. Good admirably states in the second paragraph of his article the principal results of the existence of the steel corporation, and is good enough to admit that "all this would have been beneficent work, as well as good business, if successfully accomplished." He then, however, proceeds to question the success of the accomplishment by presenting a mixture of fact and fiction, in which the latter largely predominates.

For instance, he tells us that "in 1899 it was calculated that steel-making pig iron was produced in the United States $5 per ton cheaper than in England, and that standard steel rails were manufactured $7 per ton cheaper than in the old country, and that before the Steel Trust was organized the cost of producing pig iron had been got down as low as $6 per ton, and American costs all along the line, from mining ore to rolling rails, plates, and structural materials, were at a level which defied British competition."

To anyone conversant with the real conditions of the industry in both countries such a misstatement of facts is grotesque. It is true that some extraordinary claims as to costs were made by gentlemen who have since explained that they were not based upon actual and complete costs; in fact, investigation would have shown that they were carelessly made.

That the cost of manufacture in some branches of the iron and steel industry has advanced in the United States during the past 10 years is doubtless true, but this advance is not confined to the plants owned by the Steel Corporation. The so-called independent manufacturers, who did not purchase their plants, but erected them themselves, and who acquired their own ore supplies before the Steel Corporation came into existence, have also found their costs advanced to an extent equal to those at the plants owned by the Steel Corporation. The fact is that whatever advance has taken place is largely due to the increased cost of labor, and it is one of the things for which credit is due the Steel Corporation and which alone would justify its existence that the lot of the steel worker in America has been appreciably improved during the 10 years of its existence.

Mr. Good seems obsessed with the idea that the capture of the lion's share of the export trade of the world, and whatever price may be necessary to accomplish it, is one of the chief aims and objects of the American manufacturer, and that because the Steel Corporation has not indulged in dumping tactics and taking the export trade of the British and German steel manufacturers away from them it has been a failure; in fact, to quote Mr. Good, "Thus it comes about that the Steel Trust has justified neither the hopes that it raised at home nor the fears it inspired abroad."

The British steel industry in modern times must export, in order to live, some 40 per cent of its steel production; German steel manufacturers must export something like 50 per cent and Belgium 60 per cent of their total production. Failure to do this means the throwing out of employment of large numbers of workmen and disastrous conditions generally.

In the United States not only is the production of iron and steel products greater than that of Great Britain, Germany, and Belgium combined, but the consumption is so much greater that exports, while desirable at satisfactory prices and upon satisfactory conditions, are not of such vital necessity as in Great Britain, Germany, or Belgium.

During the period preceding the formation of the Steel Corporation, in which Mr. Andrew Carnegie said that steel was either a prince or a pauper, American exports of steel products were usually made at a positive loss, and it is perhaps excusable that European critics should have formed the erroneous idea that steel could be manufactured at a lower cost in America than in Europe. The fact, however, is that the business consisted principally of dumping material in foreign markets at any price and upon any terms necessary to sell it, regardless of cost, in times of depression in the home market. Immediately the home market resumed its normal tone, the export field was neglected and the tonnage exported became insignificant. Foreign connections were not continuous, and, when the next depression in the home market occurred, the dumping process would be repeated.

For such unscientific and wasteful policy the Steel Corporation substituted the saner business policy of maintaining a continuous export trade conducted by experts, with the result that there has been a great and most gratifying increase in its foreign trade, even though the United States may still be, in Mr. Good's opinion, "a bad third in the international race." At the time of the formation of the Steel Corporation the total annual exports of all of its plants aggregated about 250,000 tons, most of which was sold below the cost of manufacture.

If we take into consideration the fact that without the rebates allowed by the coal, pig iron and billets, and all of the various manufactures of raw materials that enter into the finished product—if they had not contributed to the man that exported the material, he would have been obliged to have exported 5,000,000 tons at a loss.

This may seem inadequate from Mr. Good's point of view, but it may be of some satisfaction to the stockholders of the Steel Corporation that the business, if not profitable when considered alone, has at least been conducted without the necessity of throwing away millions of dollars of profits derived from other business (as is the case with a great deal of the European exports of steel products) and has been of enormous value in enabling the continuous operation of plants and a consequent reduction in average costs.

As I stated yesterday, at the present time we have about 40,000 men employed in the manufacture of goods which we are exporting, and those men received last year $39,000,000 or $40,000,000 in wages.

It is not the aim of the Steel Corporation to monopolize the trade of the world, nor to drive its competitors out of business, as, aside from the futility of any such policy, it could only be pursued at an expense which would not be justified by any possible results. It is, however, certain that the export business of the Steel Corporation will continue to expand on safe and sane lines and without any jealousy of equal or greater expansion of the trade of those countries to whom exports are of vital importance.

Mr. DANFORTH. These figures that Mr. Good gives on page 827, in regard to the exports in 1900 and 1910 from the three countries, the United States, Great Britain, and Germany, are correct, or do you know?

Mr. FARRELL. They are not correct.

The Bureau of Statistics of the Department of Commerce and Labor on January 20, 1912, published a statement which is in existence, and I presume all of you gentlemen have it.

Mr. DANFORTH. Have you got it there, tabulated, so that it could be compared with those figures?

Mr. FARRELL. They say:

At the head of the list of exports of iron and steel is the United Kingdom, with a total of $361,000,000, inclusive of $16,000,000 worth of agricultural machinery.

Those figures are not correct, because, while Great Britain actually exported the materials to this value and these figures appear in the returns to the British Board of Trade, a great deal of this material is brought in from other countries—Belgium, France, and so on—in a semifinished state and fabricated, and is reexported by Great Britain in the form of tin plate, pipe, and other materials; but it has also appeared in the exports of Germany, France, and Belgium, and it appears in the imports of Great Britain.

Mr. DANFORTH. Can you give us these same items in tons, not values?

Mr. FARRELL. Yes; I can give you those.

Mr. DANFORTH. Have you got them there, so that you can compare them with these figures?

Mr. FARRELL. The exports of Great Britain?

Mr. DANFORTH. Yes; in 1900 and 1910.

Mr. FARRELL. I can give them to you for 1911.

Mr. DANFORTH. He does not undertake to give the figures for 1911 in this article.

Mr. FARRELL. No; for 1910.

The exports of iron and steel products from Great Britain were 3,812,685 tons.

The exports of Germany were 4,226,647 tons.

The exports from the United States were 1,918,000 tons. And, as I recall it, Belgium exported nearly 1,000,000 tons, France about 700,000 tons, Russia a little over 1,000,000 tons, and Austria-Hungary something like 400,000 tons, and Spain 200,000 tons.

The export business of the world in iron and steel products is not confined to the United States. Great Britain and Germany and all of these countries are producers and sell to their colonies and to markets where we can not enter at all; for instance, where there are preferential tariffs, as in the case of Great Britain. There are British colonies, for example, New Zealand, where there is a preferential duty in favor of material brought in from Great Britain of 20 per cent, which amounts to $5 a ton.

In Australia there is a preferential tariff in favor of Great Britain amounting to about 5 shillings; say $1.25. There is a preferential duty in South Africa, and in Canada, of course, there is a countervailing duty—that is, perhaps, a polite name for it; it is preferential.

Mr. REED. Mr. Danforth asked for the figures for 1900. Have you got them there, Mr. Farrell?

Mr. FARRELL. I have not the figures for 1900 for these countries; no.

Mr. DANFORTH. I wanted to get those figures, if I could, so as to make a comparison with these figures of Mr. Good's.

Mr. FARRELL. They do not differ very much, except——

Mr. DANFORTH. The figures for 1910 are very different from Mr. Good's.

Mr. FARRELL. Mr. Good's figures are hardly accurate.

Mr. DANFORTH. I should say not if yours are accurate.

Mr. FARRELL. For example, a man sent me a copy of the Newark Evening News the other night, calling my attention to an article that had been written by an economic writer, Mr. Treadwell Cleveland, I think, in which he said that of a total world's business of 44,000,000 tons the United States was in the humiliating position of only having done a million and a half tons.

The total production of pig iron in the world is 61,000,000 tons, of which this country has a capacity of 40,000,000 tons, but has never produced more than 27,300,000 tons.

I presume these whiters are paid for space, and a good many of them are accurate in their figures; but Mr. Good has written on the British industry, the German industry, and the probabilities are that in the course of time he will write an article on the Italian industry, which is a very highly protected industry, and perhaps Russia, where the duty is $28.67 a ton on rails, for example.

Mr. DANFORTH. I have one more question, Mr. Farrell. I think Mr. Beall took it up yesterday with you, but I would like to have a further explanation, if you can give it. The steel manufacturers of rails have maintained the price of the merchantable rail at 1.25 cents a pound, or $28 a ton, for a number of years?

Mr. FARRELL. That has been the market price.

Mr. DANFORTH. I withdraw the word "maintained." The market price of merchantable rails has been at that figure for a number of years?

Mr. FARRELL. Yes.

Mr. DANFORTH. Has the market price of any other product of the iron and steel manufacturers retained the same stability in price during that period?

Mr. FARRELL. Not to the same extent.

Mr. DANFORTH. To anything approximating it?

Mr. FARRELL. In some commodities; but, generally speaking, no.

Mr. DANFORTH. Can you explain to the committee, why it is that the one commodity—rails—has had this permanency in price and other commodities are so variable in price, or have been so variable?

Mr. FARRELL. I stated, yesterday, that the character of the rail specifications was constantly changing, and while $28 may have seemed a high price, we will say, in 1900, to-day it does not seem a high price. Furthermore, there are not very many rail mills, and

the cost of laying down a modern rail mill to-day is something like $17,000,000.

In a period of 20 years it is necessary to entirely rehabilitate or rebuild the plant.

As a matter of fact, we have in contemplation, now, at the present time, rebuilding the Edgar Thomson mill at Pittsburgh—that is, part of it—and the program calls for an expenditure of $6,500,000. So that the profit obtained in the price of rails is not commensurate with the investment or with the wear and tear of the properties and the mills.

Mr. DANFORTH. But you do not have this difference in chemical formulæ in the preparation of other steel manufactures?

Mr. FARRELL. No; not to the same extent.

Mr. DANFORTH. So that I would suppose that the price would be more nearly permanent in those others.

Mr. FARRELL. Of course, under the open-hearth process, we are enabled to manufacture a bar which the process cheapens, and the bar, of course, answers the requirements; but in the manufacture of rails we are obliged to use all sorts of elements such as tungsten, titanium, vanadium—at $4 a pound, I believe it is.

This rail proposition appears to be phenomenal, but, as a practical proposition, it is one that gives us a great deal of concern as to what the ultimate outcome of the whole thing will be.

As I explained yesterday, we are trying to give the railroads a rail that we think is suitable to their requirements, and they want a rail that will last indefinitely, and in order to get a rail that will stand this wear and tear they increase the carbon and the silicon and the hardening elements in the steel.

Mr. REED. May I suggest, just in line with your question, Mr. Danforth, that it seems, according to my information, that the agitation among the railroads has been to get a better rail, rather than to quarrel about the price.

Mr. DANFORTH. Apparently so.

Mr. YOUNG. Is there not another thing that has had an influence in that direction—the fact that the railroads receive from the manufacturers of iron and steel a very much larger sum every year in freight than they pay for rails? Do they not regard the price for rails as an immaterial matter, comparatively, if they can get the freight? Has not that had something to do with the maintenance of that price?

Mr. FARRELL. Certainly.

The only gentleman that I heard complaining about the price of rails in recent years was Mr. James J. Hill, and I believe he complained up to the time that he built a railroad in Canada. He went to Canada and had to pay $32 a ton for rails there as against $28 in this country; we have not heard many complaints since.

Rails are sold cheaper, as I stated yesterday, in the United States than they are in any other country in the world that produces rails.

Mr. YOUNG. Is it also true that the railroad companies generally divide their rail orders among the railroads according to the amount of freight they get from the manufacturers.

Mr. FARRELL. We do not think so, because we are very large shippers, in many cases.

Mr. YOUNG. We had one of the directors of your company that told us that was the truth, and he was also connected with the Pennsylvania Railroad.

Mr. FARRELL. They sometimes try to convince us that we are getting our share of the business, but it is all a matter of reciprocity. If you furnish a very large tonnage of freight to a railroad, whether it is produce or steel, and the railroads are going to buy anything that you can furnish, you naturally think that you ought to get something relatively in proportion.

Mr. YOUNG. If you thought that any railroad was not giving you your fair share of its orders for rails, and you had the opportunity to ship on some other road, you would do it, would you not?

Mr. FARRELL. No, sir. That has not been the policy of the Steel Corporation.

Mr. YOUNG. Do you treat those who give you no custom just as well as you do those who do give you custom?

Mr. FARRELL. Absolutely; and the figures will support that. I am not trying to make a plausible reply to your question. The figures will show that.

Mr. YOUNG. That is another matter on which your statement here is somewhat different from the statements of other gentlemen connected with the steel company who have been before us.

Mr. REED. Connected with the Steel Corporation?

Mr. YOUNG. Yes.

Mr. REED. I did not remember any such testimony.

Mr. YOUNG. One other question on another matter that was passed over: You stated the other day that the net price to you at the mill on a certain shipment of rails to some foreign country was $24.98.

Mr. FARRELL. Yes.

Mr. YOUNG. And the matter was dropped there. Does this table you have prepared show the average price to you at the mill of all your foreign business?

Mr. FARRELL. All the rails for a year and a half.

Mr. YOUNG. And what is that?

Mr. FARRELL. That average price was $24.72, if I remember rightly. I prepared that table for my own information. There is no objection to your seeing it. I try to keep myself in an intelligent position at all times as to what we are doing in our business.

The CHAIRMAN. Speaking of the Good figures being inaccurate, I would like to see what difference there is between you and Mr. Good on this tabulated statement of exports of the three countries in 1900 and 1910.

Mr. Good, for instance, makes the tonnage exports by the United States in 1910, 1,154,000 tons. What do you make it for that year?

Mr. FARRELL. In 1910?

The CHAIRMAN. In 1900.

Mr. FARRELL. In 1900? Two hundred thousand tons.

The CHAIRMAN. You make the United States exports 200,000?

Mr. YOUNG. That is, of the United States Steel Corporation?

Mr. FARRELL. Of the United States Steel Corporation.

The CHAIRMAN. For 1900?

Mr. FARRELL. In 1900.

The CHAIRMAN. You exported 200,000 tons?

Mr. FARRELL. Oh, no. I beg your pardon. I can not answer that question because I do not remember what the figures were. I only have records from the time of the formation of the Steel Products Export Co., which was in 1903.

The CHAIRMAN. Do you know, then, that Mr. Good's statement that the United States exported 1,154,000 tons is not accurate?

Mr. FARRELL. I had reference to his general report; to his article.

The CHAIRMAN. Do you know what the exports were of the United Kingdom in 1900?

Mr. FARRELL. Not accurately, no.

The CHAIRMAN. Do you know that 3,213,000 tons is not correct?

Mr. FARRELL. I should say it is approximately correct.

Mr. YOUNG. That is for 1900?

The CHAIRMAN. Yes.

Mr. FARRELL. Yes.

I have a fair recollection of what those countries have been doing for a number of years, because I made a study of it before we took the business up.

The CHAIRMAN. He gives the exports of Germany at 838,000 tons for 1900. Is that approximately correct?

Mr. FARRELL. I do not think so.

The CHAIRMAN. Where do you think it is wrong?

Mr. FARRELL. Because I think that is the exports of the Rhenish provinces. I do not think that is the exports of the Empire.

The CHAIRMAN. Have you any figures on the subject, accurately?

Mr. FARRELL. Not with me.

The CHAIRMAN. How far do you think they are wrong—from your memory or your impression?

Mr. FARRELL. I would not want to say.

The CHAIRMAN. Is it approximately correct?

Mr. FARRELL. No; I should not think so.

The CHAIRMAN. About how much were they?

Mr. FARRELL. I do not want to be quoted as to the figures without having an opportunity to verify them—without looking them up.

The CHAIRMAN. Is he 100,000 tons off or 500.000 tons off?

Mr. FARRELL. I should say he is nearer 500,000 tons off.

The CHAIRMAN. Do you think it is more or less than that?

Mr. FARRELL. I should say about 500,000 tons more.

The CHAIRMAN. Take 1910. He gives the exports of the United States at 1,535,000 tons. What do you say about that?

Mr. FARRELL. For 1910, I should think that was about correct, because our exports in that year were 1,341,000 tons, and the balance of the exports of other manufacturers would about make that up.

The CHAIRMAN. Then he gives the exports of the United Kingdom at 4,594,000 tons. What do you think about that for 1910?

Mr. FARRELL. I think that probably is correct; but it must be borne in mind that Great Britain brings in 1,000,000 tons which it fabricates and reexports.

The CHAIRMAN. I understand that.

For Germany, 4,868,000 tons.

Mr. FARRELL. I should say that is probably right.

The CHAIRMAN. Judge Bartlett wants to ask a question.

Mr. DANFORTH. You gave those figures differently to me, Mr. Farrell.

Mr. REED. He gave you the figures for 1911.

Mr. DANFORTH. No. He gave me the figures of 1910, and he gave me different figures, in all three cases, from those just mentioned. I think you gave the exports from the United States as something like 1,900,000 tons.

Mr. FARRELL. That was for 1911, Mr. Danforth. I beg your pardon.

Mr. DANFORTH. I asked for the figures for 1910.

Mr. FARRELL. I had the figures before me for 1911.

Mr. BARTLETT. I want to ask a question: We sometimes hear about the independents in steel manufacture. Who are they?

Mr. FARRELL. I do not know where the term originated, Judge Bartlett. The press, the newspapers, sometimes call them "independents."

Mr. BARTLETT. Can you mention some of the people that are engaged in the steel business that are called independent manufacturers?

Mr. FARRELL. I can name a number of manufacturers outside of the United States Steel Corporation.

Mr. BARTLETT. Does that classify these people, according to the general acceptation of that term—those who are outside of the steel corporations are known as "independents"? Is that what you mean?

Mr. FARRELL. I presume so.

Mr. BARTLETT. The Pennsylvania Steel Co. in 1904 was not a part of the steel corporation?

Mr. FARRELL. No, sir. It has never been. It is an outside company.

Mr. BARTLETT. Men engaged in the manufacture of steel and iron products who are independents have often met with you gentlemen at these Gary dinners, have they not?

Mr. FARRELL. They have attended the Gary dinners; yes. Mr. Beall yesterday, I think, read from one report that 90 per cent of the industry have been represented at times.

Mr. BARTLETT. That is true. Is there any difference in the price of steel rails between the independents and the steel corportaion?

Mr. FARRELL. I suppose that everybody considers that $28 is their price for rails. If you had a house that you thought was worth $1,500, and another man had another house exactly like it, he probably would think he was a poor merchant or real estate man if he sold it for $1,400.

Mr. BARTLETT. But if I wanted to sell it and found somebody that was obliged to have the house, and one man would not sell it for $1,400, and I was obliged to sell it and the other man was obliged to have it, I probably would sell it for less.

Mr. FARRELL. What you want to know is whether there is any understanding or agreement on the price of rails, I suppose, and I answered that question yesterday by saying that there was not, to the best of my knowledge or belief, as far as I know.

Mr. BARTLETT. Not now?

Mr. FARRELL. Or at any time, as far as my personal knowledge is concerned.

Mr. BARTLETT. You are not familiar with the former history about the rail pool?

Mr. FARRELL. I am not familiar with the history of the business that was referred to yesterday, before the organization of the steel corporation, or the testimony that has been given here by other witnesses.

Mr. BARTLETT. These independents do the same thing with respect to selling their products cheaper abroad that the steel corporation has done?

Mr. FARRELL. They are doing the same thing. I am glad to say that they are increasing their foreign business very much.

Mr. BARTLETT. The chairman yesterday read a copy of a letter from the Illinois Steel Co., dated March 17, 1904, in which the rails were being offered to Mr. Jackson, the president——

Mr. FARRELL. The president of the Tamaulipas Railroad.

Mr. BARTLETT. The Tamaulipas Railroad, of Texas; yes.

I want to read another letter. Here is a letter that I find from H. F. Martin, who was, on April 14, 1904, the general manager of sales of the Pennsylvania Steel Co. Do you know him?

Mr. FARRELL. There is a Mr. Martin, general sales agent. I do not recall his initials.

Mr. BARTLETT. On April 14, 1904, it seems that he addressed a letter to the same parties to whom the letter that was read yesterday was addressed—to C. Jackson, president Ferro-Carril de Tamaulipas, Laredo, Tex.

The letter is as follows:

THE PENNSYLVANIA STEEL CO.,
Philadelphia, Pa., April 14, 1904.

DEAR SIR: T rails. Answering your letters of March 5 and March 15, we have already written you in reply to these letters, addressing same to points noted on your letterhead, "Nuevo Laredo, Mexico," and these letters have been returned to us undelivered.

We therefore address you at Laredo, Tex., and trust this letter will reach you without delay.

We will be pleased to furnish you 1,000 to 1,500 tons 65 or 70 pound A. S. C. C. section T rails, 30-foot lengths, usual 10 per cent shorter lengths, first qualities, $34.02 per ton; necessary angle supplies plates, $1.65 per 100 pounds. All f. o. b. cash our mills, with freight allowed to Laredo, Tex. And upon final delivery of these rails into Mexico we will rebate our within prices for rails to $26.75 per gross ton, second quality; all other conditions are noted herein.

If favored with your order, we will give same prompt and careful attention, shipping promptly thereafter as vessels are available to carry same. Terms of payment to be satisfactory to our treasurer.

The within for prompt acceptance.

Thanking you for your inquiry and hoping to be favored with your order,

Yours, truly,

H. F. MARTIN,
General Manager of Sales.

Mr. FARRELL. What is there about that that appeals to you, Judge Bartlett?

Mr. BARTLETT. Would that same price be given to a purchaser of rails to be used in the United States?

Mr. FARRELL. I could not answer that. The letter is from a company with which we have no relations of any kind whatever.

Mr. BARTLETT. The point suggested is that it is very similar to a letter which was written by the manager——

Mr. FARRELL (interposing). The probabilities are that they would manufacture those rails at Sparrows Point, perhaps from Cuban ore and foreign speigeleisen and foreign ferro manganese on which they

would get a drawback from the Government when they export it, and in order to collect the drawback from the Government they would have to have evidence of exportation. The only way they could get exportation evidence is to have the landing certificate in Mexico. The term they employ there is not mysterious. It is one that is required by law.

Mr. BARTLETT. Then it was the custom, both of the Steel Corporation and of the independents, to sell rails cheaper abroad than at home?

Mr. FARRELL. Apparently; from that letter.

Mr. BARTLETT. It was the practice of the Steel Corporation to do so?

Mr. FARRELL. I stated so yesterday.

Mr. BARTLETT. Yes; and you do not know of your own knowledge whether other steel rail manufacturers did the same thing?

Mr. FARRELL. Occasionally they get business that we have been very anxious to get, so that we naturally suppose that they have sold, perhaps, at a lower price than we have.

Mr. BARTLETT. When were you in charge of the United States Steel Products Export Co.?

Mr. FARRELL. At the time of the formation of the company, October 1, 1903.

Mr. BARTLETT. In 1904 you were the president of the company?

Mr. FARRELL. I was the president of the company; yes.

Mr. BARTLETT. Some time in 1904 was there sold by the Steel Corporation a large lot of rails to the Canadian Pacific Railway? Do you remember?

Mr. FARRELL. I saw that mentioned in one of the hearings here. I made a note of that.

Mr. REED. While that is being found, I would like to suggest that the evidence shows that a large part of the ores used by the Pennsylvania Steel Co. has come from abroad. Consequently they would get a larger rebate from the Government on their commodities than would the Steel Corporation.

Mr. BARTLETT. Yes. The drawback, you mean.

Mr. REED. Their drawback; yes.

Mr. YOUNG. That duty on the Cuban ore is only 12 cents, is it not?

Mr. FARRELL. At the present time it is, but in 1904 it was 40 cents a ton.

Mr. YOUNG. Yes; that was before the reduction.

Mr. REED. That ore runs rather low in iron, too, so that there are several tons of ore to a ton of rails.

The CHAIRMAN. That duty on the Cuban ore is not on the metallic content, but on the gross weight as it comes in?

Mr. REED. Yes. That is why there is more than 12 cents drawback on a ton of rails.

Mr. FARRELL. The duty is 15 cents, but there is a preferential tariff of 20 per cent, which brings that down to 12 cents.

Your question, Judge Bartlett, was in connection with the Canadian Pacific Railway?

Mr. BARTLETT. Yes; some time in 1904.

The CHAIRMAN. I want to get this drawback statement in my head, if you will pardon me for a moment, Judge.

Mr. BARTLETT. Very well.

The CHAIRMAN. Do they get a drawback on the total amount of ore imported to make a ton of metal? Is that it?

Mr. FARRELL. Mr. Hughes could answer that question while I am looking through my papers. Would you permit Mr. Hughes to answer that question?

The CHAIRMAN. I do not care, just so it is answered. I want to know, for my own information.

Mr. HUGHES. The total amount of the duty paid on any imported material used in the manufacture of products exported is rebated by the Government upon the showing of satisfactory proofs of the actual exportation of any of the material to any foreign country.

The CHAIRMAN. If it takes 3 tons of Cuban ore to make 1 ton of pig iron, or if it takes 3½ tons of Cuban ore to make 1 ton of steel rails, they get a drawback on the 3½ tons imported?

Mr. HUGHES. Yes; less 1 per cent.

Mr. BARTLETT. They get 99 per cent of the duty?

Mr. HUGHES. Yes; practically.

Mr. FARRELL. Pardon me, Judge Bartlett, what was your question?

Mr. BARTLETT. Whether in 1904, or about that time, the steel corporation sold to the Canadian Pacific Railroad a large number of steel rails?

Mr. FARRELL. No.

Mr. BARTLETT. It did not?

Mr. FARRELL. No. The United States Steel Products Co. had not sold any rails to them for a period of over six years.

Mr. BARTLETT. Or the steel corporation?

Mr. FARRELL. Those rails were evidently sold by the Pennsylvania Steel Co., probably from their tide-water plant, and perhaps delivered to St. Johns, New Brunswick, or somewhere where the water freight might be $1.50 or $2 a ton.

We are not in the very exceptional position in this export business, in some instances, that some of our competitors are in who are bringing in foreign materials.

Our money is expended in this country. We do not buy 20,000,000 tons in Sweden and pay for it there. We do not spend our money in Cuba. We are spending our money in this country.

Mr. BARTLETT. You have never sold the Canadian Pacific Railroad any rails?

Mr. FARRELL. Not for several years.

Mr. BARTLETT. Have you ever sold any in Canada?

Mr. FARRELL. We have sold rails to lumber roads, and that sort of thing. I want to call your attention to the fact, however, that the duty in Canada on rails is $7.84 a ton, and that rails have been manufactured there for the past eight years, I should say, off hand. I have the exact date somewhere. In that time the Canadian Government has paid $16,000,000 in bounties to the Dominion Iron & Steel Co., and others; the Dominion Iron & Steel Co. is the principal rail manufacturer in that country. They have paid $16,000,000 in bounties to the Dominion Iron & Steel Co. and the Algoma Steel Co., at Sault Ste. Marie, and other steel and iron mills.

Mr. BARTLETT. At what price do they sell in Canada?

Mr. FARRELL. They get from $32 to $34 a ton.

Mr. BARTLETT. At what price do you sell to the Canadian purchaser?

Mr. FARRELL. The lowest price at which we sold was $26.60 a ton.

Mr. BARTLETT. Where? At the mill?

Mr. FARRELL. F. o. b. our works; yes. As a matter of fact, the customs law in Canada makes it impossible to sell American materials in Canada at less than 5 per cent below the domestic price.

Mr. BARTLETT. You say the price was $26.60?

Mr. FARRELL. Yes. That is 5 per cent off of $28.

Mr. BARTLETT. And the freight would be what, to Montreal? Have you any idea?

Mr. FARRELL. Three dollars and a half from Pittsburgh.

Mr. BARTLETT. That would be $30.10 a ton at which they would get the rails?

Mr. FARRELL. Exclusive of the duty, which is $7.84 a ton.

In other words, the Canadian consumer of rails, in order to buy our rails, would have to pay $30.10, plus $7.84. If we could get any business in Canada the consumer would pay that, and if he buys rails in Canada he would pay $32 to the manufacturers who have participated in the $16,000,000 in bounties.

Most of the countries that are building up these industries are rather paternal with respect to bounties, aside from tariffs. Would you be interested in knowing the duties on rails in different countries?

Mr. BARTLETT. I have no objection to having that put in the record, if you wish to offer it.

Mr. FARRELL. The present duty in the United States, under the Payne-Aldrich law, is $3.92. I do not know what it is going to be later, of course.

In Germany it is $6.03; in France, $17.70 a ton. These are the duties on rails. In Russia it is $28.67 a ton; in Spain, $11.76. There are some very large works in Spain. In Italy it is $11.76; there are very large mills in Italy. In Austria-Hungary it is $12.32. In Canada it is $7.84.

Mr. BARTLETT. You sell no rails to those people in those countries?

Mr. FARRELL. The duties are absolutely prohibitory. We could not overcome a duty of $28.67 in Russia, because our freight to Russia would be $5 a ton. We could not give rails away and get in the country.

Mr. BARTLETT. No American rails are sold to Russia—to the Siberian railroads?

Mr. FARRELL. A great many years ago, at the time the Chinese Eastern Railway was built; I think that was about the time of the discussion of the Dingley tariff.

Mr. BARTLETT. 1897?

Mr. FARRELL. 1897; or it may have been the time that Gen. Hancock ran for President. I think that was in 1884.

Mr. BARTLETT. No; 1880.

Mr. FARRELL. Was it?

Mr. BARTLETT. Yes.

You stated yesterday the price of foreign rails was $24.95; the price for rails to be used abroad?

Mr. FARRELL. You asked me with respect to a specific transaction yesterday, and I said the resultant price on that transaction was

$24.98. But, as I have stated this morning, the average price received on our exports of rails over a period of a year and a half is $24.72.

Mr. REED. About 25 cents difference.

Mr. FARRELL. I find it is exactly $24.74.

Of course, the prices to those consumers of rails varied all the way from $32 a ton; that is, the price they paid for them.

Mr. BARTLETT. They paid the freight?

Mr. FARRELL. That is their cost. The foreigner pays more for his rails than the consumer in this country.

Mr. BARTLETT. He pays the freight?

Mr. FARRELL. But it is his cost. The complaint is that the American consumer pays more for his material than the foreigner——

Mr. BARTLETT. If you want to put it in the shape of a complaint, that is all right; the complaint is that at your mill you sell rails to be used by the foreign consumer at less than you sell them at your mills—the same rails—to the home user. That is the complaint.

Mr. FARRELL. The contention, perhaps, I should have said, Judge.

Mr. BARTLETT. It is rather the admission that is made here, I think.

You know W. G. Raoul, who used to live in New York?

Mr. FARRELL. Have you got the same letter that was read during the discussion in the Senate several years ago by Senator Bacon, then a Congressman?

Mr. BARTLETT. 1904.

Mr. FARRELL. That was by Congressman Bacon, I think.

Mr. BARTLETT. Yes, sir.

Mr. FARRELL. I remember that; yes. It is rather antique.

Mr. BARTLETT. Yes. It is ancient.

Mr. FARRELL. I think that other illustration will answer the purpose.

Mr. BARTLETT. This selling of steel products abroad to the foreign consumer at less than you charge to the home consumer is rather antique and has been continued for many years?

Mr. FARRELL. Will not that illustration of yesterday illustrate the point of the Tamaulipas rate? It is the same thing, I presume.

Mr. BARTLETT. Yes. It is the same thing.

Mr. FARRELL. And Mr. Raoul, I think, was one of your neighbors in Georgia?

Mr. BARTLETT. Yes.

Mr. FARRLELL. He was the president of the National Lines of Mexico at that time, and he also had investments in Mexico, and was anxious to build railways there. Later on he built a railroad in Georgia and found he had to pay more money for rails, and was indignant.

Mr. BARTLETT. No; I do not think he built a railroad in Georgia afterwards.

Mr. FARRELL. Yes; he was interested in a railroad there.

Mr. BARTLETT. He was president of the Central Railroad and the Southwestern Railroad that has been built since 1853.

Mr. FARRELL. But they were building extension lines.

Mr. BARTLETT. He said in this letter that in 1902 he secured bids on steel rails for Mexico from the United States mills at $24 delivered at Tampico, while the price being paid at the same time for rails for his road in Texas was $28 a ton at the mill.

Mr. FARRELL. What year was that, Judge?

Mr. BARTLETT. 1904.

Mr. YOUNG. I thought you said it was 1902?

Mr. BARTLETT. 1904. The letter is dated 1904.

Mr. FARRELL. He refers to the transaction in 1902, I think.

Mr. BARTLETT. In 1909, in January, did not the United States Steel Products Export Co. sell a lot of standard rails for the West Indies at a price of $29.40 per long ton delivered? You were the president of that company at that time, were you not?

Mr. FARRELL. Possibly that was so. Is the transaction identified there, Judge?

Mr. BARTLETT. No.

Mr. FARRELL. They may have gone to Jamaica or perhaps to Bermuda, or perhaps to Porto Rico; I do not know. They would be sugar plantation rails. I do not think they were of heavy section.

Mr. BARTLETT. In January, 1909, did not the same company quote the sale of open-hearth standard steel rails for export to China?

Mr. FARRELL. What year?

Mr. BARTLETT. In 1909, in January.

Mr. FARRELL. Just a moment, please. No; I have a record here of a sale of 1,886 tons 60-pound rails to Kobe, Japan, at $38.20 delivered c. i. f. Kobe, Japan.

Mr. BARTLETT. Is that the only one of record in 1909?

Mr. FARRELL. That is the only memorandum I have with me. Unless you can identify these transactions it is difficult to refer to them or to remember them.

Mr. BARTLETT. I can not give you any more than I have tried to give you.

Mr. FARRELL. I do not mean to question it, except that of course, in doing a business of a few million tons a year, it is difficult to remember particular instances.

Mr. BARTLETT. At what price was that sale, $34?

Mr. FARRELL. That transaction was at $38.20.

Mr. BARTLETT. What were the freight charges on it?

Mr. FARRELL. I can give them to you. Those rails netted us $31 at the mill. That price may sound strange, but at that time there was quite a boom in the iron and steel industry abroad and, in fact, in this country, and export prices were high.

Mr. BARTLETT. The freight charges were about $5.60 a ton?

Mr. FARRELL. Yes.

Mr. BEALL. $7.20 difference?

Mr. BARTLETT. I said the freight charges were $5.60 a ton—that is, ocean freight.

Mr. FARRELL. $38.20 was the price c. i. f. Kobe, delivered, and the ocean freight was $5.60. I should think it would be about $31 at the mill, taking $1.60 freight to seaboard.

In that year, Judge Bartlett, if my recollection serves me right, the prices we received for rails for shipment to foreign countries was higher than the price we received in the home market, by reason of the enormous demand. I think in that year we received $28.12 for all the rails we sold.

Mr. BARTLETT. Were these open-hearth standard steel rails?

Mr. FARRELL. They were Bessemer rails. I know that, because they came from the Edgar Thomson Works, and we did not roll any open-hearth rails at that plant.

Mr. BARTLETT. What was the domestic price then at the mill?

Mr. FARRELL. $28. In that year we got higher prices abroad than we got in this country, because of the enormous demand all over the world, and the fact that the foreigners always put their prices away up when they get a chance. We try to keep them on a level-price basis here, but the foreigner generally gets a high price when he can.

Mr. BARTLETT. You do not sell any considerable amount of rails to Canada?

Mr. FARRELL. Very few rails. Our rails would cost the people over there about $36 a ton, including the duty.

Mr. BARTLETT. You do sell other steel products of your company to Canada?

Mr. FARRELL. Oh, yes. We sell a good deal of material over there.

Mr. BARTLETT. Is there a difference in price at the mill to the people who buy your products in Canada and to the people in this country?

Mr. FARRELL. It depends upon the geographical position of our mill. In some cases if we were to ship from our Chicago plants or our plants at Milwaukee, with water freight of 75 or 80 cents to Port Arthur or Fort William, we might get a higher price for material than we would get if we had to pay a rail haul to Dubuque, Iowa, or some place like that. It is all a question of freight.

Mr. BARTLETT. Have you any special rates for freight, or any arrangement by which you have special rates of freight with the Canadian railroads?

Mr. FARRELL. Absolutely none. I believe the Canadian railroads are under the jurisdiction of the Interstate Commerce Commission on transcontinental business. The tariffs are published and there are no special rates.

Mr. BARTLETT. You have no arrangement with them?

Mr. FARRELL. Absolutely none.

Mr. BARTLETT. And none on wire rods, steel rails, nor blooms?

Mr. FARRELL. No. The Canadian Government pays a bounty of $6.72 a ton on rods, and has paid it for a great many years. It has recently been suspended, but I understand the new Government are considering putting it into effect again.

Mr. YOUNG. That is on rods, you say?

Mr. FARRELL. Yes. The bounty paid on rods for a number of years was $6.72 a ton. That is the bounty alone.

Mr. YOUNG. Yes.

Mr. BARTLETT. Did you sell or quote prices for wire nails to be sold or delivered in China in the early part of 1909?

Mr. FARRELL. We sell a great many tons of wire nails to China, Japan, and all over the world.

Mr. BARTLETT. What was the price per hundred pounds at which they were sold and delivered on the dock at New York?

Mr. FARRELL. You mean the basis price?

Mr. BARTLETT. Yes.

Mr. FARRELL. The basis price would be about $1.65; but the extras on nails going to foreign markets are higher than they are in the home market. The card extras are higher. If we are selling nails in competition with the Austrians we will use their card. We get as much as we can.

Mr. BARTLETT. At the same time, or about the time at which those sales to China were made at $1.65—that was $1.65 at the mill?

Mr. FARRELL. No. That was $1.65 at New York. The freight would be 10½ cents per keg on them.

Mr. BARTLETT. At the same time, what was the price——

Mr. FARRELL. The freight would be 7 cents from one of our mills, Allentown, Pa.

Mr. BARTLETT. At the same time, what was the price at the mill to the American purchaser?

Mr. FARRELL. I should say, offhand, and I think it is pretty accurate, that the price would be about $1.75.

The difference in the price of wire nails for export and domestic use has been about $2 a ton; about 10 cents a keg.

Mr. BARTLETT. In the freight to be delivered at New York for domestic shipment, what would the freight be?

Mr. FARRELL. The freight would be 16 cents from Pittsburgh to New York.

Mr. BARTLETT. That would be $1.91?

Mr. FARRELL. Yes. The freight from one of our mills from which we do most of our export New York business, from Allentown, Pa., is 7 cents a keg.

Mr. BARTLETT. That is an advantage that the foreigner gets over the home purchaser.

Mr. FARRELL. By the time the Chinaman got his nails to Tientsin or Hankow, he paid $10 a keg for them. The Chinaman paid $10 a keg for them, and the home buyer paid $1.75.

Mr. BARTLETT. At your mill?

Mr. FARRELL. Yes.

Mr. BARTLETT. But by the time the man in Texas or Georgia got them he would have to pay proportionately for the freight, too, would he not?

Mr. FARRELL. I do not know how that would be. I notice the Texas Railway Commission recently has established——

Mr. BARTLETT. In other words, the foreigner is not the only man that pays freight from the port or from the mill? The domestic purchaser pays the freight as well as the foreigner?

Mr. FARRELL. He is the consumer, and he pays it. He pays it in the cost. I was going to say——

Mr. BARTLETT. The domestic consumer pays it in the cost, and when it gets down to Georgia he has to add the freight to make up the cost?

Mr. FARRELL. Will you bear with me a moment, Judge?

Mr. BARTLETT. Surely.

Mr. FARRELL. If one of your constituents bought a keg of 3-penny wire nails, at $1.95 a keg, he would receive 53,987 nails, and it would take him 13 hours and 16 minutes to count the nails in that keg; and I do not think he would work that long for the price he had to pay for the nails.

Mr. BARTLETT. That may be all true; but how does that elucidate the matter?

Mr. FARRELL. That illustrates the fact that they are cheap. You get 53,987 nails for $1.95.

Mr. BARTLETT. And the Chinaman pays less for them at the mill than the Georgian does?

Mr. FARRELL. The Chinaman does not pay less. We get less, but the Chinaman pays $10 a keg for his nails, while the American who buys them here pays $1.95.

Mr. BARTLETT. Certainly the Chinaman pays that, because of the distance, and he has to pay the freight.

Mr. FARRELL. Of course.

Mr. BARTLETT. You get more out of the Georgian than you do out of the Chinaman?

Mr. FARRELL. No. We would not get as much out of him, perhaps, as we would out of somebody else, because you draw those nails from our Savannah warehouse. We ship them down there by water, and you would not have to pay as much freight on nails as Mr. Beall's constituents might, perhaps, because the freight in the case of his constituents would be more.

Mr. BARTLETT. Still, when my constituent buys the nails from the Savannah warehouse, he has to pay the freight, just as the Chinaman does?

Mr. FARRELL. Yes.

Mr. BARTLETT. My proposition was to demonstrate or establish that at the factory the price of these products is cheaper when they are exported than it is to the home consumer, and I think I have done that.

You spoke about your export business, and you used the words that in times of depression you dumped your products in foreign countries?

Mr. FARRELL. I beg your pardon, Judge; I did not. I said that was the practice before the formation of the United States Steel Corporation.

I want to be clear on that. We have never indulged in any dumping tactics since the Steel Corporation was formed.

We have endeavored to build our business up in these foreign markets and convert it into a money-making business.

In the days of the Carnegie Steel Co., however, and in some of the older companies, they would sell their materials at cost or less at different times abroad, and as soon as the home business would improve they would not sell them at all. That was the reason they always had to sell at low prices when they wanted to do any business abroad, because they only sold when they did not have any trade at home.

Mr. BARTLETT. You said also that the German people enjoyed something in the way of bounties on steel exports. Is that true?

Mr. FARRELL. That is contributed by all the manufacturers. The government does not pay any bounties on steel production. They contribute their portion through reduced rates on state railways.

For example, a mill located at Dusseldorf in Germany does not have to take into consideration at all the freight from Dusseldorf to Antwerp or Rotterdam. The steamship company operating under a subsidy from the government there makes a through rate from Dusseldorf, we will say to Smyrna in Turkey, or Constantinople, which absorbs the rate.

Mr. YOUNG. Which absorbs the rail rate?

Mr. FARRELL. Yes.

Then the coal miner, the company that produces the coal, the company that produces the coke, the company that produces the pig iron

and the steel, all contribute pro rata to the man who finally finishes the material and who exports it.

Mr. BARTLETT. There is no law in Germany on this subject that you know of? Is there any law that grants cooperative bounties on steel products for export?

Mr. FARRELL. There are no laws that I am aware of in Germany; but I know the Government is very paternal, because I happened to be in Germany two years ago last December——

Mr. BARTLETT. What do you mean by "paternal" in that respect?

Mr. FARRELL. That is, they encourage their manufacturers by permitting these contributions by the miners and producers of the raw material to the man that finishes the product, and they absorb these inland freight rates, through a system of steamship rates.

Mr. BARTLETT. The Government owns the railroads?

Mr. FARRELL. The Government owns the railways and controls the canals. I refer to the Prussian state railways, of course.

Mr. BARTLETT. With reference to the cost of production, either here or abroad, is that a stable matter? Does not the cost of production vary both here and abroad?

Mr. FARRELL. Yes; to some extent.

Mr. BARTLETT. It varies from year to year, and sometimes from month to month, does it not?

Mr. FARRELL. Yes; it is a variable factor.

Mr. BARTLETT. And it differs in various countries? For instance, it will be one thing in Great Britain and another thing in Germany. Their cost of production differs, does it not?

Mr. FARRELL. Yes; I rather imagine their cost of production is likely to increase over there, in view of some legislation that is going on.

Mr. BARTLETT. It is a fact, however, that the cost of production in this country is not a fixed thing, is it?

Mr. FARRELL. The cost of production in the manufacture of steel is largely a question of the cost of labor in producing the material. I would like to give you a statement of the wages, for example, paid in one industry, if I have it here. May I do that?

Mr. BARTLETT. Certainly.

Mr. FARRELL. Take the manufacture of tin plate; the total labor cost in the manufacture of a ton of tin plate in this country is $22.95 a ton. That is the total labor cost. In Wales the total labor cost is $12.73 a ton. There is a difference, in the labor cost alone, of $10.22 per ton as between the wages paid in this country and the wages paid in Wales. This information is absolutely authentic. We pay rollers $9.76 a ton in the tin mills, and in Wales they get $4.55. We pay openers, the men who take the plates when they come from the rolls and open the plates—they are rolled in what we call "doubles"—$0.42½ in this country, and in Wales they receive $0.30 a ton.

The picklers, the men that pickle the clean plates and remove the scales, receive 48 cents a ton in this country and 27½ cents in Wales.

The annealers, who soften the plates, receive 87 cents a ton here and 66 cents a ton in Wales.

The cold rollers receive 52 cents a ton here and 20 cents a ton in Wales. For general mill operation—that is, the labor around the mill—we pay $3.325 in this country per ton, against 1.66 in Wales.

The white picklers, the men who finally clean the sheets before they are tinned, receive 37½ cents in this country, against 27 cents a ton in Wales.

The washers receive $1.555 a ton in this country, against $1.245 in Wales.

The assorting cost in this country is 52 cents, as against 41½ cents in Wales.

Boxing in this country is 46½ cents, as against 20 cents in Wales.

Tinning costs $1.32½ in this country, as against $1.245 in Wales.

General tin-house expenses in this country are $2.44, as against $1.22 in Wales.

That is all for labor. That explains, to some extent, the difference in the cost of production.

Mr. BARTLETT. You refer there to what country?

Mr. FARRELL. To Wales. That is the only country that produces tin plates to any extent. They furnish 600,000 tons a year. It is the home of the tin-plate industry.

Three years ago I made a personal study of the conditions in the iron and steel industries in Europe—that is, the labor conditions—and I obtained my figures from the manufacturers, and in many instances they came from the labor unions, so that the figures are absolutely correct.

The result of the complication of our figures showed that we paid in this country in the iron and steel industry two and one-fifth times the wages paid in Europe.

Mr. BARTLETT. How much more efficient in the way of producing products is the labor employed by you as compared with the labor employed in the Welsh mills?

Mr. FARRELL. There was a theory at one time that the labor in this country was more efficient than the skilled workmen in other countries, but that time has gone by.

There is one subject that has not been studied by political economists or social engineers, and that is the decrease in the efficiency of a day's work as compared with what it was many years ago. I do not care whether it is the laborer on your farm or the man in the mill, you do not get a day's work out of a man as compared with what you formerly did. As a matter of fact, he does not have to work the same as he formerly did.

I was comparing notes with Mr. Ralph——

Mr. BARTLETT. You think, then, that the American laborer, with the appliances and the improvements in American machinery, does not produce more in a given number of hours employed than the foreigner produces? Is that a fact or not?

Mr. FARRELL. It is not a fact in the steel industry.

I was comparing notes the other day with the Director of the Bureau of Engraving and Printing, Mr. Ralph. He was formerly a workman in the steel works in Joliet, as a youth, contemporaneously with myself.

He visited recently some of our mills in the West, and we were talking about it the other day, and we both came to the conclusion that the workmen in the steel mills to-day were living in paradise compared with the workmen of 30 years ago, when Mr. Ralph and I started in the business.

The CHAIRMAN. At that time the farm laborer got about 30 cents a day, and now he gets $1.50.

That is true of all laborers, not those in the steel business alone.

Mr. FARRELL. Yes. But if you have men working around your place you know if you are getting as much work out of them as you did 10 years ago.

Mr. REED. This does not apply to the lawyers, does it? [Laughter.]

Mr. FARRELL. I would not care to make any invidious comparisons, because I think if I had to start over again I would study law rather than go into the steel business. [Laughter.] I feel the necessity of having a legal education.

Mr. BARTLETT. I understand you to say on this subject that the American laborer is not more efficient, with the better surroundings he has got, with the improved machinery in the production of manufactured products, than the foreign laborer?

Mr. FARRELL. The steel industry has altered in the last 20 years—in the last 10 years. The hard work that was formerly done in the steel mills, the pulling and hauling, does not exist any more.

Mr. BARTLETT. It is done by machinery now?

Mr. FARRELL. It is all a matter of mechanical appliances and electrical transmission.

Mr. BARTLETT. Taking that into consideration, does not the American man in the steel mills, or the manufactories of iron and steel products, produce more in the same number of hours than the man in Germany, for instance?

Mr. FARRELL. You are talking about the skilled workman?

Mr. BARTLETT. I say, the American workmen?

Mr. FARRELL. I should say the skilled workmen in this country do not produce any more than they do in any other country at the present time.

Mr. BARTLETT. What about the other kind of workmen?

Mr. FARRELL. I should say there is not very much difference between an ordinary laborer around our works and an ordinary laborer on the other side, except that instead of getting one mark fifty a day—that is, about 37 cents a day—he gets $1.75 a day here.

Mr. BARTLETT. Is not the result of the labor—the output per man in your mills per day—greater than it is in Germany or in any foreign country?

Mr. FARRELL. Not in the production of finished forms and material.

Mr. BARTLETT. In what sort of production is it?

Mr. FARRELL. I want to answer you satisfactorily and correctly. I should not say that the American laborer is any more efficient or produces any more material to-day than the foreigner, although he gets two and one-fifth times as much pay for doing the work.

Mr. BARTLETT. If that be true, how is it that in the manufacture of iron and steel products the American iron and steel manufacturer can and does, with the high-priced labor and improved machinery and appliances, produce products at a less cost than the foreigner?

Mr. FARRELL. You may have information on the subject that I do not possess, Judge.

Mr. BARTLETT. Mr. Schwab swore before this committee in New York——

Mr. FARRELL (interposing). I stated in this brief that I read on the Good article that, without mentioning any names, there had

been a great many careless statements made. I said it was true that some extraordinary claims as to costs had been made by gentlemen who had since explained that they were not based upon actual and complete costs, and in fact that investigation has shown that the statements were carelessly made.

Mr. BARTLETT. Mr. Carnegie, the other day, made similar statements, did he not?

Mr. FARRELL. You received his testimony, and you are the best judges of it.

Mr. BARTLETT. Is Mr. Schwab familiar with the costs?

Mr. FARRELL. Oh, yes. I should say that he is the best-posted man in the iron and steel business in this country to-day.

Mr. BARTLETT. You do not apply the same suggestive criticisms to his testimony that you do to the testimony of Mr. Carnegie?

Mr. FARRELL. I think you have in mind a statement he made a great many years ago, that we could produce rails for $16 a ton.

Mr. BARTLETT. I was speaking of a statement he made before this committee in New York, in 1911, some time about August, in which he said that they could produce steel and iron products in this country now cheaper than they could abroad.

Mr. FARRELL. I have never heard such a statement. If it is in the record, I will have it looked up.

Mr. BARTLETT. It is in the record, I think.

Mr. YOUNG. I think the statement was that he thought they could produce certain steel products in this country as cheaply, or at about the same price. I think that was the phrase, that they could produce them at about the same price that they could in Germany.

Mr. FARRELL. That would apply to one article I have just thought of. That would apply to barbed wire, for example, because we get $2 a ton more for barbed wire in the foreign market than we get here.

Mr. BARTLETT. He stated, n my recollection, that they did not need, now, any tariff to protect them from foreign competition, but that they might in the future, when the foreigner became educated and skilled enough to produce his products as cheaply as the steel people do now here.

Mr. FARRELL. That is true in the case of the Chinese pig iron that I referred to yesterday.

Mr. BARTLETT. That is my recollection.

Mr. YOUNG. I think that was said in connection with the matter of rails, and he used this illustration: He said that the largest rail mill in Germany used only 500 tons per day; that the Gary plant was capable of producing 3,000 tons per day, and that a 500-ton mill, other things being equal, could not compete with a 3,000-ton mill.

Mr. BARTLETT. He stated that?

Mr. YOUNG. It was in that connection that he made this statement. I think it referred entirely to rails. It was a comparison with Germany.

The CHAIRMAN. If it suits your convenience, Judge, we will take our recess at this point. It is after 1 o'clock.

Mr. BARTLETT. All right. I am through.

Whereupon, at 1.10 o'clock p. m., the committee took a recess until 2.30 o'clock p. m.

AFTER RECESS.

The committtee met, pursuant to the taking of recess, at 2.30 o'clock p. m., Hon. Augustus O. Stanley (chairman) presiding.

TESTIMONY OF MR. J. A. FARRELL—Continued.

Mr. BARTLETT. I would like to ask another question, and then I am through. Mr. Farrell, are you familiar with the methods of making steel rails used by the foreign manufacturers in their plants? Are you familiar with some of them, or with any of them?

Mr. FARRELL. The process is somewhat similar in all countries. There are two processes—the basic open-hearth process and the Bessemer process.

Mr. BARTLETT. Mr. Schwab said, on page 1335 of the record of this hearing, in New York, in answer to a question by Mr. Sterling.

Yes; and to-day we can make rails just as cheap as they can—

He was speaking about foreign manufacturers—

But suppose they duplicated our plants and methods, and they also had this cheaper labor and transportation. Then, of course, they could beat us.

Will you agree with Mr. Schwab that to-day we can make rails just as cheap as the foreigner, for the reason that they have the better facilities, approved methods, machinery, and things of that sort?

Mr. FARRELL. I do not agree with Mr. Schwab in that statement, if that answers your question.

Mr. BARTLETT. But Mr. Schwab is a very high authority.

Mr. FARRELL. He is. He is an excellent authority in the steel business; and while Mr. Schwab may be correct, at the same time you asked me if I agreed with him, and I am making a reply.

I know that European rail mills possess all the facilities with respect to machinery and appliances that we possess.

Mr. BARTLETT. Then at the present time it is your opinion that they are equally fitted in capacity to produce rails as you are?

Mr. FARRELL. As a matter of fact, we are copying a great many of their processes. In the utilization of blast furnace gases, for example, and the recovery of by-products in coke ovens we have copied them. Probably most of them were German inventions.

Mr. BARTLETT. What enables us to produce steel rails in this country as cheap as they can abroad?

Mr. FARRELL. Mr. Schwab made that statement.

Mr. BARTLETT. You don't agree with him?

Mr. FARRELL. I can not agree.

Mr. BARTLETT. Very well. That is all.

Mr. GARDNER. Do you know a publication known by the name of "A Decade in United States Steel"?

Mr. FARRELL. Was that a pamphlet written by a man named Hazen, a reporter on the Wall Street Journal?

Mr. GARDNER. The name of the author I do not think appears on it. It was published by Dow, Jones & Co.

Mr. FARRELL. Yes. He sent me a copy.

Mr. GARDNER. Have you looked through it at all?

Mr. FARRELL. I have not had an opportunity.

Mr. GARDNER. You do not know whether it is complimentary?

Mr. FARRELL. "With the compliments of the author, W. E. Hazen." I have not looked it over; no, sir.

Mr. GARDNER. Does it contain anything written at the instigation of the United States Steel Corporation?

Mr. FARRELL. I said I had not looked it over; I did glance at a paragraph last evening. It was not written at the instigation of the United States Steel Corporation, because the paragraph I refer to was not entirely complimentary.

Mr. GARDNER. I wondered if you looked at the tables there showing the production during the period of the last 10 years. You are unable to say whether any of those tables are correct?

Mr. FARRELL. I would want to examine it closely before I would venture an opinion on the subject.

Mr. GARDNER. I should rather suspect the other side would dispute the accuracy, rather than the United States Steel Corporation. It seems to me that that book——

Mr. FARRELL (interposing). The probabilities are that most of the statistics in this book were taken from our annual reports.

Mr. GARDNER. Or from the American Iron and Steel Institute.

Mr. FARRELL. Yes. The probabilities are that the data in the book are accurate.

Mr. GARDNER. I am going to try one long last effort to see if I can get it through my head how it is that the price of rails has remained uniform at $28 a ton and no other steel prices have remained uniform for the last 10 years, and what the difference is between the two situations.

This morning, in reply to a question, you indicated that whereas no other steel commodities had been actually stable, some of them had been relatively stable?

Mr. FARRELL. Yes.

Mr. GARDNER. Which products have been relatively stable in price?

Mr. FARRELL. I should say that tin plate has been fairly stable.

Mr. GARDNER. Is there any competition in tin plate outside of the United States Steel Corporation?

Mr. FARRELL. Yes; there is as much competition outside the Steel Corporation as there is in.

Mr. GARDNER. Who makes tin plate?

Mr. FARRELL. About 40 companies outside of the Steel Corporation, companies like the McKeesport Tin Plate Co., the Phillips Tin Plate Co., the Follonsbee Bros. & Co., Carnahan, Jones & Laughlin, etc. Jones & Laughlin have a very large capacity.

Mr. GARDNER. You have mentioned great and small—Jones & Laughlin and a number of small ones.

Mr. FARRELL. Yes.

Mr. GARDNER. Who are the customers for the tin plate?

Mr. FARRELL. Canneries, principally.

Mr. GARDNER. Canneries, principally?

Mr. FARRELL. Yes. For instance, the salmon-packing trade uses tin plate in very large quantities.

Mr. GARDNER. Have you a great, diversified line of customers?

Mr. FARRELL. Quite a number, quite a good many. These canneries, of course, are all over the country. There is a great deal of fruit canned in New York, a great deal of corn canned in Maine, and

there is a great deal of salmon canned in Oregon and Washington; peaches in Delaware, and so on. Paint and oil companies use large quantities of tin plate.

Mr. GARDNER. There is a large tin can company, is there not, the American Tin Can Co., outside of the Steel Corporation?

Mr. FARRELL. There is a concern called the American Can Co.

The CHAIRMAN. In that connection I would like to get the account of the rebate given by the United States Steel Corporation to these other large customers, if he knows about it.

Mr. GARDNER. Is there a rebate given by the United States Steel Corporation?

The CHAIRMAN. In the minutes there was.

Mr. FARRELL. I am only familiar with the sales department since I became president, February 1, 1911. But I know that during that time the Standard Oil Co. and every other company were sold at a flat price.

Mr. REED. To what minutes do you refer?

The CHAIRMAN. The Carnegie Co.'s minutes.

Mr. GARDNER. Prior to the absorption?

The CHAIRMAN. Yes.

Mr. GARDNER. I will take that up a little later.

What I am trying to get at is this: In explaining this situation of $28 a ton for a steel rail, some previous witness pointed out the fact, and you have indicated it, that there are only four or five customers for steel rails, that they are large customers——

Mr. FARRELL. You mean producers?

Mr. GARDNER. Customers; that is to say, there are a few railroads.

Mr. FARRELL. I should say there are great numbers of them, great numbers of railroads.

Mr. GARDNER. Great numbers of railroads that are large customers?

Mr. FARRELL. Yes, sir; great numbers of them. For example, take the Chicago & Northwestern. You might not consider it a great railroad compared with the New York Central, but so far this year they have bought probably more rails than the New York Central?

Mr. GARDNER. How do you account for it? I will put it that way. That the price of steel rails remained $28 and that the price of all other steel commodities varies?

Mr. FARRELL. Mr. Gardner, my answer to that question is that the cost of producing steel rails has constantly increased over the past 10 years. If you have an article that as a manufacturer you consider is reasonable in price, you are not likely to reduce the price of it materially, if it is constantly costing you more to make it, having in mind and having regard for the enormous investment in the plant that is producing that article.

Mr. GARDNER. Why don't you go up in price?

Mr. FARRELL. We are. The Lehigh Valley Railroad has paid $34.50 for some rails; about $34.50.

Mr. GARDNER. I am afraid I will have to go back another step, then, and say: Is there any difference in the specifications of $28 rails made for one railroad company and made for another railroad company, or is the standard $28 rail always the same specification?

Mr. FARRELL. Oh, no. There are dozens of specifications. That is the difficulty.

Mr. GARDNER. All at $28.

Mr. FARRELL. It depends. If the ranges of carbon and phosphorus are within certain limits, the manufacturer does not increase the price, but when the specifications call for the inclusion of titanium or vanadium, or chrome, or other alloys, such as tungsten, material such as vanadium, as I stated this morning, at $4 per pound, and nickel.

Mr. GARDNER. I understand that perfectly well. But what I ask is this: As to the rails you sell at $28 a ton, are they always the same specifications? The $28 rails you sell to one company, are they the same specifications as the $28 rails you sell to another company?

Mr. FARRELL. No; not exactly. For instance, a railroad might specify for what is known as the American Society of Civil Engineers' specification. Another railroad might specify for what is known as American Maintenance of Way specifications, etc.

Mr. GARDNER. There are certain standard specifications that are all at $28 a ton? Is that the fact?

Mr. FARRELL. Yes; practically. I would like to add something to that. That the conditions of inspection are sometimes different. Some railroads will accept rails that have less physical tests and less inspection than others. We might sell those rails at $28 a ton. Another railroad might want three or four drop tests. We call a drop test bringing a heavy trip hammer down on the rail, to test its ductility. If that expense is not materially increased, we will sell the rail at $28.

What we have been trying to do is to make a satisfactory rail.

Mr. GARDNER. But this price for these standard specification rails remained the same, at $28, year in and year out?

Mr. FARRELL. While they have remained at $28. I do not think they will remain at $28.

Mr. GARDNER. But they have hitherto remained at $28.

Mr. FARRELL. For some time.

Mr. GARDNER. What I am trying to get through my head is why this phenomenon presents itself in the case of steel rails and not in respect of any other steel products.

Mr. FARRELL. I thought I had answered that question.

Mr. GARDNER. No. What you have said is that it has been ever increasing in cost to produce. But that has been true of a great many other products besides steel rails.

Mr. FARRELL. I said it is true in the price of tin plate, because the cost of pig tin is constantly going up. We are paying $900 a ton for pig tin now, and we paid $600 a ton for pig tin two years ago.

Mr. GARDNER. Is not the price of making seamless tubes constantly going up?

Mr. FARRELL. I should not say so.

Mr. GARDNER. What else is going up besides rails and tin plate?

Mr. FARRELL. In finished materials?

Mr. GARDNER. Semifinished or finished?

Mr. FARRELL. Without going over the immense number of products I could not tell you offhand.

Mr. GARDNER. It does not seem to me to be a sufficient explanation for the single phenomenon of rails remaining at $28 a ton to say merely that the cost of producing those rails has increased. The only

answer to that is, if the cost of producing the rails increases, your price would probably go up, too, in the ordinary course of the market.

What I have been trying to get through my head is why this phenomenon came to strike in in the transaction between all steel-rail manufacturers and one particular class of customers, to wit, the railroads, and does not strike in between the steel manufacturers and all other classes of customers?

Mr. FARRELL. I have endeavored to answer that question to the best of my knowledge and ability, and I can only repeat the statement that I made, that the cost of manufacturing rails has apparently increased over a period of 10 years, and the price was considered a fair price, and it has not been reduced. The probabilities are it will be increased.

Mr. GARDNER. Has any railroad ever asked for a reduction in the price except J. J. Hill?

Mr. FARRELL. I don't recall; Mr. Hill did not ask for any reduction in price?

Mr. GARDNER. He did not?

Mr. FARRELL. He complained that rails were sold in the foreign markets for less than they were in the United States. But since he built his railroad into Canada and paid $4 a ton more for rails than we were selling him his rails for in the United States, we have not heard any complaint from him.

Mr. GARDNER. No railroad has ever come to you and said, "We wish to get these standard specification rails at less than $28"?

Mr. FARRELL. Never to my knowledge. The railroads for many years have told us that if we would take all the chances of producing a rail, and would furnish them rails without inspection, would guarantee the quality of the rails for a period of five or six years, and assume consequential damages in the case of accident, they would pay us any price we asked for rails.

Mr. GARDNER. I can quite understand that.

Mr. FARRELL. That is recently, too.

Mr. GARDNER. Have any of your competitors in the steel business ever been to you and suggested the putting up of the price of rails?

Mr. FARRELL. No.

Mr. GARDNER. Have any of them complained that the price of rails was too low?

Mr. FARRELL. Never to my knowledge.

Mr. GARDNER. Have any of them ever come and suggested putting down the price of steel rails?

Mr. FARRELL. No.

Mr. GARDNER. Now, there is the thing, and I will say this: You are answering the question just as satisfactorily as any other witness we have had. But there is a perfectly mysterious product. In spite of the changed conditions of business, in spite of the increase in cost, in spite of the increase in the value of iron ore, in spite of improvements in machinery, on the other hand, which might lower the price——

Mr. FARRELL (interposing). They do not lower the metallurgical cost.

Mr. GARDNER. Probably not. And in spite of reasons to raise prices, in spite of reasons working to depress prices, for 10 years nobody, either purchaser or seller of steel rails, has suggested an

alteration of that price. It is a phenomenon which is so remarkable that without adequate explanation it would seem as if it was running on the momentum of the old agreement at $28. That is to say, there was an agreement in the past which you know nothing about——

Mr. FARRELL (interposing). Correct.

Mr. GARDNER (continuing). And about which we have plenty of evidence; and that the momentum of that agreement was still carrying its results with it at the present time, because we have as yet had no adequate explanation of that phenomenon.

Now, I am perfectly willing to say that I do not think there is any evidence at all that you gentlemen are meeting together and setting the price of steel rails. I do not believe it for a minute. I believe you never mention the price of steel rails. You take it as a matter of course, don't you? It is never discussed, is it?

Mr. FARRELL. It may be habit.

Mr. GARDNER. Whatever it is. But where everything else is fluctuating and steel rails do not, it seems to me that a man naturally says, "Well, in what does steel rails differ from other products?" and the first thing that strikes him is that the railroads are the customers.

Mr. FARRELL. Of course, we have matters running through our minds all the time, as we have at the present time. We have a matter running through our mind just now of spending six and a half million dollars on a rail mill to bring it up to a modern state of efficiency.

Mr. GARDNER. The Edgar Thomson Mills?

Mr. FARRELL. The Edgar Thomson Mills. Now, six and a half million dollars to partly rebuild a rail mill would pay for a great many rails.

Mr. GARDNER. You think that if the railroads were not your customers for steel rails that there would be any such inflexible price?

Mr. FARRELL. I could not answer that question.

Mr. GARDNER. I have a list here which apparently, on the face of it, says that the Lackawanna, the Bethlehem, the Cambria, the United States Steel Corporation, the Pennsylvania Steel Co., and the Colorado Fuel & Iron Co. are the only companies that make standard rails.

Mr. FARRELL. Have you mentioned the Maryland Steel Co.?

Mr. GARDNER. I was about to ask you whether that was a full list. I have not mentioned the Maryland Steel Co. Can you think of any others?

Mr. FARRELL. Well, the Republic Iron & Steel Co. have a rail mill, but they have not operated that rail mill.

Mr. GARDNER. They testified they were not making rails, or somebody testified for them.

Mr. FARRELL. They probably considered the returns in the rail business were not sufficient to warrant them to put their raw steel into rails. They perhaps preferred to put it into tubes and plates.

Mr. GARDNER. Does the Maryland Steel Co. produce rails?

Mr. FARRELL. They are large producers.

Mr. GARDNER. Do they make standard rails?

Mr. FARRELL. Yes, sir.

Mr. GARDNER. That makes seven companies making standard rails. Has the price of light rails varied?

Mr. FARRELL. Considerably; for the reason that there are no specifications. Light rails are rolled, for instance, from a defective billet. Take an 8 or 10 pound rail that has a base no larger than the top of that book [indicating] and you are going to run a cane car over it, there is no distress to the rail by reason of the load of five or six hundred pounds of sugar cane, or something of that kind.

Mr. GARDNER. I am going to read a list of 19 companies that make light rails only:

Jones & Laughlin, Clearfield Steel & Iron Co., Cumberland Rolling Mill, Loucks Iron & Steel Co., Fairmount Steel Co., West Virginia Rail Co., Knoxville Iron Co., Atlanta Steel Co., Republic Iron & Steel Co.

Is there a concern known as the Miller or Weller Rolling Mill?

Mr. REED. I never heard of it.

Mr. FARRELL. Where is it located?

Mr. GARDNER. I don't know.

Mr. FARRELL. There are some of those names that you read off that I never heard of; for instance, the Clearfield Steel & Iron Co.

Mr. GARDNER. The Weller Rolling Mill, the Interstate Iron & Steel Co., the Columbus Iron Works, Ohio Rail Co., Lenton Rolling Mills Co., Ohio Falls Iron Co., Judson Manufacturing Co., Seattle Steel Co., Western Rolling Mill Co., Hersh Rolling Mill Co.

You say there are a great many of those you have never heard of?

Mr. FARRELL. If you will give me the list I will check off all the active plants, if you wish me to. Over half of those concerns are not in existence.

Mr. GARDNER. Over half of them are not in existence?

Mr. FARRELL. No, sir.

Mr. GARDNER. The rest are small concerns, are they?

Mr. FARRELL. Most of them. The Seattle Steel Co., Jones & Laughlin, and the Republic Co. are large works. At Cumberland they have quite a large rail mill.

Mr. GARDNER. Now, is it not true that the largest companies of all, with the exception of Jones & Laughlin and the Republic Iron & Steel Co., are the companies that make the standard $28 rail?

Mr. FARRELL. I do not quite comprehend your question.

Mr. GARDNER. Is it not true that the companies that make the standard $28 rail are the very largest steel corporations, leaving out Jones & Laughlin and the Republic Co.?

Mr. FARRELL. No; I should not say so. In the manufacture of light rails?

Mr. GARDNER. No. I said in the manufacture of the standard $28 rails.

Mr. FARRELL. You mentioned Jones & Laughlin and the Republic Iron & Steel corporation in this list. They are, of course, large manufacturers.

Mr. GARDNER. I will try it again. The makers of standard rails apparently are the Lackawanna, Bethlehem, Cambria, United States Steel Corporation, Pennsylvania Steel Co., Colorado Fuel & Iron Co., and the Maryland Steel Co.?

Mr. FARRELL. Yes.

Mr. GARDNER. The makers of light rails only are a number of companies, some you say which are not in existence and some of which

you never heard of, and only two in the list apparently that are large concerns, to wit, Jones & Laughlin and the Republic Co.?

Mr. FARRELL. Yes.

Mr. GARDNER. I say, is it not the fact that the large steel corporations are the only ones who make the standard rails, practically speaking?

Mr. FARRELL. Yes.

Mr. GARDNER. How do you account for that?

Mr. FARRELL. I presume it is on account of the cost of putting down the plant.

Mr. GARDNER. The expense of establishing the necessary furnaces?

Mr. FARRELL. We estimate that in order to lay down a rail mill it would result in the expenditure of $17,000,000. There are a good many of these concerns rolling light rails that buy defective rails and discarded rails from railroads, and they can take those rails and, with a comparatively small investment, install heating furnaces, heat those rails, put them through a mill, and roll them into a small rail. There is a very large concern in Joliet, the McKenna Co. Their entire business is rerolling rails that they have bought from the railroads at fourteen or fifteen dollars a ton.

Mr. GARDNER. Now, then, if these seven large concerns understand each other simply by heredity or because it has become a habit, there is not much danger that any of these smaller concerns will go into the making of heavy rails, on account of the great expense?

Mr. FARRELL. I should say that would be the reason.

Mr. GARDNER. That is, if there were a combination, it would be a combination of these seven concerns?

Mr. FARRELL. If it were possible.

Mr. GARDNER. They would not be afraid of outside competition?

Mr. FARRELL. It is hardly possible.

Mr. GARDNER. Who owns the Pennsylvania Steel Co.?

Mr. FARRELL. I have not any idea. I am not a stockholder.

Mr. GARDNER. You do not know whether it is largely owned by the Pennsylvania Railroad?

Mr. FARRELL. I know nothing about the Pennsylvania Steel Co. other than I read in the newspapers or you would probably know yourself. I am not in an intelligent position with respect to the ownership of any of these concerns outside of our own company.

Mr. GARDNER. Outside of the United States Steel Corporation?

Mr. FARRELL. Yes, sir.

Mr. REED. Mr. Dixon's evidence shows that it is controlled by the Pennsylvania Railroad, if I may suggest it. It is already in evidence before the committee. He testified that the Pennsylvania Railroad controlled it.

Mr. GARDNER. That I understand. I was going on further to ask in succession if he knew of the railroad connections of the other companies.

Mr. REED. I beg your pardon.

Mr. GARDNER. But he has already answered that question by saying he has no knowledge of the ownership.

Mr. FARRELL. Yes, sir.

Mr. GARDNER. Have you no knowledge of the railroad connections of the other companies? I mean the financial connections.

Mr. FARRELL. Would you accept a hearsay statement, as to what I have seen in the newspapers, to the fact that the Pennsylvania Railroad had an interest in the Pennsylvania Steel Co.? I have no personal knowledge of it.

Mr. GARDNER. Have you seen any similar statements with regard to those other companies?

Mr. FARRELL. No.

Mr. GARDNER. Owning a railroad?

Mr. FARRELL. No.

Mr. GARDNER. How about the Cambria?

Mr. FARRELL. I have seen the same statements in the newspapers.

Mr. GARDNER. That the Pennsylvania Railroad controls the Cambria?

Mr. FARRELL. These statements I have seen in the newspapers, I think, are from hearings or something. I don't know whether it was brought out before the Ways and Means Committee or where. But I have no personal knowledge of it, further than what I have read in the newspapers.

Mr. GARDNER. Well, I am no further ahead than I was.

Mr. FARRELL. I am sorry.

Mr. GARDNER. But it is just the same with all the other witnesses, Mr. Farrell. It is not any reflection on you. I have yet to hear a satisfactory explanation of the phenomenon.

Mr. McGILLICUDDY. Up to the time of your election as president of the United States Steel Corporation you were president of the United States Steel Products Co.?

Mr. FARRELL. Yes, sir.

Mr. McGILLICUDDY. How long were you president of that company?

Mr. FARRELL. From its organization in October, 1903, until the 1st of February, 1911.

Mr. McGILLICUDDY. Then you had to do during all that time with the export trade and are familiar with all the details of the business of that company?

Mr. FARRELL. I will not say that I am familiar with all the details of the business.

Mr. McGILLICUDDY. But in a general way?

Mr. FARRELL. I had supervision of the company.

Mr. McGILLICUDDY. What is the relation of that company to the United States Steel Corporation?

Mr. FARRELL. The United States Steel Products Co. is a subsidiary of the Federal Steel Co.

Mr. McGILLICUDDY. And the Federal Steel Co. is a subsidiary of the United States Steel Corporation?

Mr. FARRELL. I presume so.

Mr. McGILLICUDDY. So that practically both of these companies are subsidiary to the parent company, and its stock is owned by it, the same as in the case of the other subsidiary companies?

Mr. FARRELL. A good many of these underlying companies are subsidiary to other companies.

Mr. McGILLICUDDY. But as to this particular one, this export company, it is subsidiary to the United States Steel Corporation?

Mr. FARRELL. Through the Federal Steel Co.

Mr. McGILLICUDDY. What is the business of that export company?

Mr. FARRELL. The business of the United States Steel Products Co. is to sell the materials of all of the companies in the United States Steel Corporation and its subsidiaries in foreign markets.

Mr. McGILLICUDDY. It does no other business?

Mr. FARRELL. Why, yes. We have the right to purchase material or to charter vessels and transport.

Mr. McGILLICUDDY. Under what State law is that company organized?

Mr. FARRELL. Under the laws of New Jersey.

Mr. McGILLICUDDY. When was it organized?

Mr. FARRELL. October 1, 1903.

Mr. McGILLICUDDY. What was the capital stock?

Mr. FARRELL. My impression is it was $100,000.

Mr. McGILLICUDDY. Has it since been increased?

Mr. FARRELL. Yes; to $1,000,000.

Mr. McGILLICUDDY. It is now $1,000,000?

Mr. FARRELL. Yes, sir.

Mr. McGILLICUDDY. When was the increase made?

Mr. FARRELL. The increase was made July, 1911.

Mr. McGILLICUDDY. What property does that company own?

Mr. FARRELL. The United States Steel Products Co. has 58 foreign offices. It has a great number of warehouses in various parts of the world. It has a large warehouse at Valparaiso, one at Lima, one in Sydney, Australia, one in Johannesburg, one in London. If you wish I can enumerate them all.

Mr. McGILLICUDDY. No; you need not do so. Does it own any transportation lines?

Mr. FARRELL. Yes, sir.

Mr. McGILLICUDDDY. What transportation lines does that company own?

Mr. FARRELL. The Isthmian Steamship Co.

Mr. McGILLICUDDY. Any others?

Mr. FARRELL. No. We operate other lines of steamers, but they are chartered vessels.

Mr. McGILLICUDDY. You say "we" operate. You mean the Products Co.?

Mr. FARRELL. Yes. They operate a company known as the New York & South America Line that runs to Chile and Peru. They charter and operate six vessels.

Mr. McGILLICUDDY. They own one line of steamships and operate a number of others?

Mr. FARRELL. Yes, sir.

Mr. McGILLICUDDY. For the purpose of transporting the export products of the United States Steel Corporation?

Mr. FARRELL. And those of everybody else. We carry anybody's freight.

Mr. McGILLICUDDY. It is a general carrying company?

Mr. FARRELL. Yes, sir.

Mr. McGILLICUDDY. But it does carry all of your products?

Mr. FARRELL. No; not all of our products, because we have not sufficient facilities.

Mr. McGILLICUDDY. You mean you sell to some places where they do not run?

Mr. FARRELL. Yes. The reason we went into the steamship business was because the steamship lines would not call at many ports where we had an opportunity to do business. For instance, we had an opportunity to take a railroad contract in Colombia, South America, for a railroad that was being built from Buenaventura, a port on the Pacific, to the Atrato River. Up to that time no steamer had ever left these shores for Buenaventura. We could not get the South American lines or any other line to go there direct, so we chartered steamers, and that was one of the reasons for having these utilities.

Mr. McGILLICUDDY. But it does transport the bulk of your material to foreign markets?

Mr. FARRELL. Oh, no.

Mr. McGILLICUDDY. What proportion of it? Take it as a whole, what proportion?

Mr. FARRELL. Oh, probably 18 or 20 per cent.

Mr. McGILLICUDDY. Eighteen or twenty per cent?

Mr. FARRELL. Yes, sir; I think that is very accurate.

Mr. McGILLICUDDY. You spoke about the cost of transporting to the foreign markets your export products. Whatever you transport in that company you get a profit on, don't you?

Mr. FARRELL. Unfortunately there have been a great many losses. We have operated some steamers to the east side of South America, and last year we lost some $40,000 in their operation.

Mr. McGILLICUDDY. I do not care about details. Take it as a whole. Don't you make a profit on the business in transporting by that company? Is it not a profitable company, in other words?

Mr. FARRELL. It is just about holding its own.

Mr. McGILLICUDDY. What was the amount of business it did last year?

Mr. FARRELL. Which company?

Mr. McGILLICUDDY. The export company.

Mr. FARRELL. $53,104,499. That was for 1910.

Mr. McGILLICUDDY. Have you the year before and back of that?

Mr. FARRELL. Yes.

Mr. McGILLICUDDY. Give us the amounts, if you have them there, from year to year, while you were president.

Mr. FARRELL. They were in 1904, $31,434,508.41; in 1905, $32,680,700.45; in 1906, $42,440,859.60; in 1907, $47,236,326.60; in 1908 we dropped to $33,322,499.06. That was as a result of the financial panic.

Mr. McGILLICUDDY. I understand that.

Mr. FARRELL. In 1909, $41,060,920.17; in 1910, $53,104,499.69; and in 1911, $69,542,625.95.

Mr. McGILLICUDDY. The business of that one company more than doubled in the 10 years that you were president?

Mr. FARRELL. Yes, sir; just a little more than doubled.

Mr. McGILLICUDDY. There was a profit made on that business, you would say, would you not, made by that company?

Mr. FARRELL. Yes. But of course the profit was entirely expended in the development of the business, in the establishment of these 58 offices and warehouses.

Mr. McGILLICUDDY. That made the business worth so much more, so you did not lose the profit?

Mr. FARRELL. We expect to make it worth it. It is a development you know. The foreign trade is a development.

Mr. McGILLICUDDY. Do you know the firm by the name of the National Railway Construction Co., of Williams Street, New York?

Mr. FARRELL. There is such a concern engaged in the construction of a railway in Uruguay, called the Pan-American Transcontinental Railway of Uruguay, which is a link of a proposed chain of railways from New York to Buenos Aires.

Mr. McGILLICUDDY. Did you sell that company a cargo of steel products?

Mr. FARRELL. My recollection is we have sold them some material.

Mr. McGILLICUDDY. What was the price that you got on that cargo?

Mr. FARRELL. The cargo was made up of a large number of diversified products.

Mr. McGILLICUDDY. I did not ask what it was made up of. The price was what I wanted. What was the price?

Mr. FARRELL. It was one of the transactions—in what year?

Mr. McGILLICUDDY. You sold them in more than one year?

Mr. FARRELL. Well, you have the paper there.

Mr. McGILLICUDDY. Did you sell them for more than one year?

Mr. FARRELL. No. I think they only got their charter from the Uruguayan Government in 1910.

Mr. McGILLICUDDY. I did not know the year. I did not know you had more than one transaction with them. Did they not get that cargo from you at cost?

Mr. FARRELL. Absolutely not.

Mr. McGILLICUDDY. For what did they get it?

Mr. FARRELL. They got it at current market prices.

Mr. McGILLICUDDY. You remember that, do you?

Mr. FARRELL. Yes.

Mr. McGILLICUDDY. What was the current market price?

Mr. FARRELL. As I remember it, that cargo consisted of rails, steel ties, steel telegraph poles, telegraph wire, railroad spikes, fish plates, wire fence, corrugated roofing for houses, and probably 40 or 50 different commodities.

Mr. McGILLICUDDY. Can you give us the prices for which you sold that cargo?

Mr. FARRELL. I have a fairly retentive memory, but I can not remember exactly.

Mr. McGILLICUDDY. You can not remember any of them?

Mr. FARRELL. No; I can not.

Mr. McGILLICUDDY. How do you know, then, they were at current prices?

Mr. FARRELL. For the simple reason we would not make any exception in their case.

Mr. McGILLICUDDY. You are reasoning about that. You have no recollection.

Mr. FARRELL. I know we would not make any execption in their case.

Mr. McGILLICUDDY. Do you know the American Trading Co., of New York City?

Mr. FARRELL. Yes, sir; it is a very large company.

Mr. McGILLICUDDY. Do they act as your agents in Cuba, by purchasing materials for export trade?

Mr. FARRELL. No, sir; they do not. They are customers.

Mr. McGILLICUDDY. They are customers of yours?

Mr. FARRELL. Yes, sir.

Mr. McGILLICUDDY. Can you tell us the prices they have paid for your export products?

Mr. FARRELL. At current prices. I think that our business in Cuba last year——

Mr. McGILLICUDDY (interposing). You mean when you say "current prices" the current prices for the domestic or the foreign trade?

Mr. FARRELL. You see, we do not have special prices for special people. If our price on barbed wire is $2.20 per 100 pounds for a man in Salvador, it is $2.20 a hundred pounds for a man in Argentina.

Mr. McGILLICUDDY. When you say current prices I simply want to know whether you mean for foreign or domestic consumption.

Mr. FARRELL. I am speaking entirely as to foreign.

Mr. McGILLICUDDY. Do you know Guinle & Co., of 42 Broadway?

Mr. FARRELL. Yes, sir. Guinle & Co. have a concession to build a street railway in Bahia, Brazil, and also some properties in Santos. They have a concession from the Brazilian Government. They are Brazilians. There are four brothers.

Mr. McGUILLICUDDY. Did you sell them products?

Mr. FARRELL. We sold them copper wire for the transmission line.

Mr. McGILLICUDDY. What were the prices?

Mr. FARRELL. I think we got 14.5 cents a pound for the copper wire.

Mr. McGILLICUDDY. Is that all you sold them?

Mr. FARRELL. It was a very small business, but there has been a great deal of jealousy over their concession.

Mr. McGILLICUDDY. Do you maintain a steamship service to the West Indies and South America?

Mr. FARRELL. No, sir; we maintain a service to South America—to Chile and Peru—but not to the West Indies.

Mr. McGILLICUDDY. But not to any of the West Indies?

Mr. FARRELL. No. sir.

Mr. McGILLICUDDY. In what way do you maintain that service, and what flag do your ships fly?

Mr. FARRELL. We charter a great many vessels. You mean to any part of the world?

Mr. McGILLICUDDY. No; that one to South America.

Mr. FARRELL. Those vessels are under the British flag. They are chartered vessels. We do not own those vessels.

Mr. McGILLICUDDY. You do not own them?

Mr. FARRELL. No, sir.

Mr. McGILLICUDDY. Do you not have any interest in them?

Mr. FARRELL. None whatsoever. We charter them by the year. The vessels are owned by Charles G. Dunn & Co., of Liverpool.

Mr. McGILLICUDDY. You have no indirect interest?

Mr. FARRELL. No, sir.

Mr. McGILLICUDDY. You simply charter the vessels, and they sail under the English flag and carry your products?

Mr. FARRELL. Yes, sir.

Mr. McGILLICUDDY. So that for these vessels you do not pay more than what is made by your chartered agents?

Mr. FARRELL. In a good many instances the chartered rates at the present time are higher than the contract rates.

Mr. McGILLICUDDY. Who owns the American & Cuban Steamship Line?

Mr. FARRELL. T. Royden & Sons.

Mr. McGILLICUDDY. Do you know anything about that line of steamships?

Mr. FARRELL. Absolutely nothing, beyond shipping some of our products in their steamers.

Mr. McGILLICUDDY. Do you ship over it?

Mr. FARRELL. We ship some material in their vessels. There are three lines running to Cuba—the Ward Line, the Munson Line, and the American-Cuban Line.

Mr. McGILLICUDDY. The line to Argentina and to Chile, what did you say about that, the one that Mr. Ryan is manager of?

Mr. FARRELL. That is the New York & South America Line.

Mr. McGILLICUDDY. Have you any ownership in that?

Mr. FARRELL. No, sir. Those are chartered vessels. The only vessels we own are the vessels in the Isthmian Co. Those vessels trade to all parts of the world.

Mr. McGILLICUDDY. Do you have any system of discounts in this foreign export trade?

Mr. FARRELL. Absolutely none. We sell at flat prices.

Mr. McGILLICUDDY. You did in the domestic trade?

Mr. FARRELL. They do in the pipe business; but we sell our material at so much per pound or per ton.

Mr. McGILLICUDDY. You say you have no discount system in the foreign export trade?

Mr. FARRELL. No; and no preferential prices. In any case, we are in competition with the foreign manufacturer, and unless we can meet the parity of their prices we can not sell at all.

Mr. McGILLICUDDY. Is there a rebate allowed home manufacturers on export material used in their manufactured products?

Mr. FARRELL. We have made allowances to manufacturers of materials. For example, I have in mind a manufacturer of gas holders. A firm in this country might desire to bid on a gas holder in Rio de Janeiro, and we would make a special price to him for that particular business. In other words, that business is more or less regarded by us the same as our own export business. The only difference is that while we indirectly help ourselves in selling material to these people, we directly help them in building up their own foreign business. Our effort has been to develop a large business from this country, because the larger the business the better it is for us.

Mr. McGILLICUDDY. Then the old idea that was held out that you were selling these products in foreign markets simply to dispose of some surplus and keep the mills running is not true?

Mr. FARRELL. It is true, but we are gradually getting away from it. We hope eventually to get away from it, if it is not regarded as an economic crime to do a foreign business.

Mr. McGILLICUDDY. But you would not do it unless you could do it at a profit?

Mr. FARRELL. We are ultimately aiming in that direction.

Mr. McGILLICUDDY. So it is a fact, then, that rebates are allowed to home manufacturers on the manufactured export products?

Mr. FARRELL. In a number of cases.

Mr. McGILLICUDDY. Yes, sir; that is what I mean.

Mr. FARRELL. Yes.

Mr. McGILLICUDDY. Is it not a fact that large manufacturers, such as the International Harvester Co., secure a larger rebate than the smaller shippers?

Mr. FARRELL. Mr. McGillicuddy, we have done no business with the International Harvester Co. for a period of five or six years. It may interest you to know that the International Harvester Co. has boycotted the United States Steel Corporation for the last five years. It grew out of a transaction between one of our companies and the International Harvester Co. over the question of the price of some material entering into a building, and from a mere quibble between salesmen resulted in a complete estrangement of business relations, so that so far as the International Harvester Co. is concerned, and the United States Steel Corporation is concerned, there is absolutely nothing in common between them, and we did not even do business with each other.

Mr. McGILLICUDDY. How long has that been?

Mr. FARRELL. For something like five or six years.

Mr. McGILLICUDDY. Previous to that they received a larger rebate than other smaller companies?

Mr. FARRELL. No, sir; for the reason they own large steel works themselves. They are owners of the Wisconsin Steel Co.

Mr. McGILLICUDDY. The reasons for it would not be material. You say the fact is they did not receive any larger rebate?

Mr. FARRELL. No, sir.

Mr. McGILLICUDDY. Would not larger manufacturers receive more liberal rebates than smaller ones, as a matter of business?

Mr. FARRELL. No, sir. You have referrence to this export allowance now?

Mr. McGILLICUDDY. Yes.

Mr. FARRELL. Well, I had with me a list of 153 small manufacturers in this country that we give special prices to for bailers, etc., where the material goes into new boilers or hoisting engines. I would like to make a statement on this.

The policy of allowing or paying a drawback of the duty paid on import materials used in the manufacture of commodities exported from this country has been followed by the Government for years in accordance with laws enacted by Congress. The Government pays such drawback to the exporters when satisfactory proof is presented under Government regulations, and it is the practice of manufacturers who make export allowances to require their customers to furnish similar proof of export before allowances are made.

This same policy has also been recognized by the Interstate Commerce Commission in the establishment of special export rates, which apply—

(1) To direct exports of a great variety of commodities in which iron and steel is used, as well as other classes of merchandise not related in any way to the iron and steel industry.

(2) Rates of rebate allowance have also been established by the Interstate Commerce Commission on certain classes of iron and steel products which are exported indirectly.

This policy, as laid down by the Interstate Commerce Commission, is illustrated specifically in the freight rate on tin plate from the Pittsburgh district to the Pacific coast. The tariff freight rate on tin plate from the Pittsburgh district to the Pacific coast in carload lots is 66.2 cents per 100 pounds on all tin plate entering into domestic consumption. All shippers and consignees are, of course, obliged to pay this rate. There is a clause, however, which provides that the railroads shall rebate 20 cents per 100 pounds on tin plate used for making packages or containers for goods for export direct to foreign countries, upon satisfactory proof of exportation and claim for refund promptly filed with the Trans-Continental Freight Bureau, in Chicago, in behalf of the railroad interested.

The same freight rates apply to tin plate exported to British Columbia, with a rebate of 20 cents per 100 pounds, upon satisfactory proof of entry for consumption or manufacture in British Columbia.

The idea of making export allowances as followed by the constituent companies of the United States Steel Corporation to their customers who are engaged in the export business suggested itself by the Government's policy of paying drawback of duty under the drawback law, and is similar to the action of the Interstate Commerce Commission in establishing and approving export freight rates and rebates on direct and indirect exportations of commodities.

The practice of the constituent companies of the United States Steel Corporation in the matter of export allowances has been based upon the principle that an export business in all classes of commodities, in which steel is used, should be encouraged, with a view to enlarging the volume of tonnage and to create a basis for an exchange of values, upon which our country's commerce with foreign countries is based.

Practical manufacturers and business men in their endeavors to obtain a foothold in foreign markets for their commodities are obliged to meet the competition of manufacturers and exporters of other countries engaged in similar industries. It has been learned by long experience that small concessions made to manufacturers of machinery, structural material, canned products, and commodities exported in packages, in which steel or some form of steel product is used wholly or in part in the manufacture of containers, and a large number of other industries, in which steel in some form or shape is used wholly or in part, have been of material assistance in enabling such American industries to become established in foreign markets that had never been exploited by them before.

This policy has been followed consistently, and its practical application has been of enormous benefit to all American manufacturers using steel in the commodities which they export.

An examination of the records of the constituent companies of the United States Steel Corporation shows that up to the end of the year 1911 export allowances had been made to 153 different concerns throughout the United States on various forms of steel supplied to them to be used in the manufactured articles which they export upon furnishing satisfactory proof of exportation. These concerns include manufacturers of cars and car equipment, locomotives and locomo-

tive equipment, boilers, hoisting machinery, forgings, agricultural implement manufacturers, carriage and wagon builders, fireproofing, shipbuilders, cooperage, and a variety of other industries.

The list of these 153 concerns I have not with me, but I can furnish it. But it does not contain the name of the International Harvester Co.

Mr. McGILLICUDDY. You did do business with that company previous to five years ago?

Mr. FARRELL. I presume some domestic business, but that was before I had jurisdiction.

Mr. McGILLICUDDY. They got rebates before?

Mr. FARRELL. Not on the export business, because the International Harvester Co. has its own rolling mills.

Mr. McGILLICUDDY. What is the price you get for barbed wire for export?

Mr. FARRELL. The domestic price of barbed wire in 1911, or bringing it down, say, for the last six months, is $1.85. That is, the American farmer paid $1.85 at the mills for his barbed wire.

Mr. REED. Per 100 pounds.

Mr. FARRELL. Per 100 pounds; yes. Thank you.

Mr. McGILLICUDDY. What is the export?

Mr. FARRELL. The export man paid $2. He paid $3 a ton more than the American farmer. That is a matter of record. It has always been the case in all the years that we have done this foreign business, and the reason is that the European manufacturers have never made any special effort, apparently, to do this business in barbed wire. It is almost an American product. But those records can be examined by Mr. MacRae or anybody else, and they will find that we have always received more money for the foreign wire than we have from the American farmer.

Mr. McGILLICUDDY. That is what I wanted to know.

Mr. REED. More money f. o. b. your mills?

Mr. FARRELL. These prices are f. o. b. the mills.

Mr. McGILLICUDDY. You said the capital stock of your company has been increased to $1,000,000.

Mr. FARRELL. Yes.

Mr. McGILLICUDDY. How much of it has been issued?

Mr. FARRELL. All of it.

Mr. McGILLICUDDY. That is all.

The CHARMAN. I wish you would turn to page 1770 of the hearings. I would like to get you to explain that table.

Mr. McGILLICUDDY. While you are getting that, I want to ask if what you say of barbed wire is true of other wire?

Mr. FARRELL. Fencing wires generally?

Mr. McGILLICUDDY. I understood you to exclude all wires. The same thing is true in reference to that.

Mr. FARRELL. I want to distinguish. The difference is greater on barbed wire than it is on fencing wire. There is a difference.

Mr. McGILLICUDDY. But it is all higher than it is in domestic?

Mr. FARRELL. Yes.

Mr. BARTLETT. I understood you to say in reference to that that the foreign manufacturers have not been able to manufacture it. Did you say manufacture or sell?

Mr. FARRELL. I did not say unable to manufacture. I say it does not appear they have taken up this product as we have. We have large mills. We have one at Allentown that produces nothing but export material and makes 200 tons a day. We are building a mill at Birmingham, Ala., which will produce this material.

The CHAIRMAN. On page 1770 of the hearings there is a table showing the export price and the domestic price of various articles, showing the average invoice and average f. o. b. mill prices received by subsidiary companies of the United States Steel Corporation. In the column marked "Invoice price," what do you mean by that?

Mr. FARRELL. That price would include the cost of insurance and freight. That is what we would call the domicile price, the delivered price.

The CHAIRMAN. Anywhere in the United States?

Mr. FARRELL. It would be an average. You see these are average prices.

The CHAIRMAN. Invoice?

Mr. FARRELL. Yes; average prices.

The CHAIRMAN. You mean including the freight?

Mr. FARRELL. Yes. We would include the freight, I think.

The CHAIRMAN. Have you any table showing the price of the article at the mill?

Mr. FARRELL. Yes; it is there.

The CHAIRMAN. Where is it; the f. o. b. mill price?

Mr. FARRELL. Yes; it is there.

The CHAIRMAN. Where is the price of that article to the foreigner? That is what I asked for.

Mr. FARRELL. Are these the export prices?

The CHAIRMAN. Yes.

Mr. FARRELL. Well, these are made up of average prices, of average returns received.

The CHAIRMAN. What I want to get at, so as to be able to use this table, is this: For instance, take nails and staples in this table on page 1770. It says net tons, $44.45. What does that mean, the invoice price, and what does the invoice price mean?

Mr. FARRELL. The invoice price means the price to the customer, which might include the freight if we prepay the freight.

The CHAIRMAN. It means the price at the mill?

Mr. FARRELL. The price at the mill plus the freight; the f. o. b. mill price is stated there as $39.10.

The CHAIRMAN. Where is the price of that article to the foreigner?

Mr. FARRELL. These are all export prices, and those are average export prices.

The CHAIRMAN. Where is the domestic price?

Mr. FARRELL. I presume this statement may have been called for. Is this Judge Gary's testimony?

The CHAIRMAN. These are statements given at the conclusion of a hearing. I was under the impression that these were the prices of these articles at home and abroad. That was what I had wanted.

Mr. REED. At the bottom of page 1756, Mr. Bolling, who presented a statement, says that it contains the average prices received for principal classes of steel products exported in the past five years. I do not think it is intended, Mr. Chairman, to include the domestic prices. It could not have been understood that was what you wanted.

Mr. FARRELL. That is a separate table of exports.

The CHAIRMAN. I wanted a table showing in parallel columns the price of the article here and abroad. The tables are worthless unless they show that. These tables were offered at the conclusion of a hearing, and I did not examine them carefully at the time. I assumed that was what you meant to give us. That is what we asked for.

Mr. FARRELL. I think if you had asked for it you would have gotten it. There is no reason why we should not give it to you offhand.

Mr. REED. It is perfectly easy to obtain.

Mr. FARRELL. The probabilities are somebody was asked to furnish these prices.

Mr. REED. I was not here that day, but it appears from Mr. Bolling that he was merely presenting what you wanted.

Mr. FARRELL. We could just as well have furnished the domestic prices.

The CHAIRMAN. Take this item of nails and staples.

Mr. FARRELL. Yes.

The CHAIRMAN. Do you know the domestic price of wire nails and staples?

Mr. FARRELL. $1.55 a keg.

The CHAIRMAN. What is the export price?

Mr. FARRELL. The export price is about $1.65, New York, at the present time.

The CHAIRMAN. What is it at the mill?

Mr. FARRELL. It is just about a parity. I would say we are receiving for export practically the same price we are receiving in the domestic market. That is due to the enormous activity of German mills.

The CHAIRMAN. One is at New York, though, and the other is at the mill. Why do you make that charge at New York $1.65?

Mr. FARRELL. Of course, we offer material to sell at the seaboard.

The CHAIRMAN. What is the freight?

Mr. FARRELL. Ten and a half cents.

The CHAIRMAN. And it is $1.65 at New York?

Mr. FARRELL. Yes. That would be $1.545. It is within a half a cent of the domestic price. If we could ship the nails from Baltimore the freight would be 1½ cents less, and from Allentown it would be less.

The CHAIRMAN. What was the export price of fencing staples?

Mr. FARRELL. That is the staple you use in putting on barbed wire.

The CHAIRMAN. What is the difference between the price here and the export price?

Mr. FARRELL. They are higher for the export trade. They go in with the barbed wire. We get $2 a ton more for export.

Mr. GARDNER. I want to call your attention to the fact that the table on page 1770 is spoken of by Mr. Bolling on page 1756.

Mr. REED. I read that into the record.

Mr. GARDNER. I understand that. I understand Mr. Bolling submitted it at the request of Mr. McGillicuddy, which appears on page 96 of the hearing No. 3, and reads as follows:

Mr. MCGILLICUDDY. Can you give the committee, either now or later, a list of prices you get in foreign countries?

Mr. GARY. I think we can. I will try to do that.

Mr. McGILLICUDDY. In all of the foreign countries you sell to.

Mr. GARY. For what period?

Mr. McGILLICUDDY. For the last two or three years, or as far back as you can.

Mr. GARY. I will try to do that. I have done that several times for congressional committees.

It apparently gives the information asked for.

The CHAIRMAN. I may be mistaken, but I do not see that it gives the price obtained in foreign countries. It gives the price f. o. b.—the mill price. Is that the export price?

Mr. FARRELL. Yes.

The CHAIRMAN. That is the invoice price.

Mr. REED. It gives more than is asked for. It shows what the company received for it and what its net receipt was.

Mr. FARRELL. The invoice price is the price paid by the customer, whether in Shanghai, Moji, or Kingston, Jamaica.

Mr. GARDNER. The invoice price is what the customer pays, and the f. o. b. price is what you get for it?

Mr. FARRELL. Absolutely.

The CHAIRMAN. It is made up from averages?

Mr. FARRELL. Yes. The business is so enormous that we could not detail it.

The CHAIRMAN. I believe we made a request that they give the committee the price of the article sold here—the sale price here and the price for the same article for export. Can you furnish this committee with the articles mentioned on page 1770, giving in parallel columns the price for which it is sold here and the price on the same article when sold abroad, at the mill?

Mr. REED. Can that be done?

Mr. FARRELL. Almost anything can be done, Mr. Reed.

Mr. REED. We will try to do it.

Mr. BEALL. I frequently notice statements in the newspapers and other places about the existence of some kind of an international rail syndicate or an organization of some kind of an international character that has something to do with the marketing of steel rails. Has there within recent years been any such organization as that?

Mr. FARRELL. I believe there is an organization in Europe among the European manufacturers, but I myself or my company never have had anything to do with it. We have always reserved freedom of action to do our business in any market.

Mr. BEALL. Do you know anything about how the membership of that organization is constituted?

Mr. FARRELL. No, sir.

Mr. BEALL. Or the steel producers of how many countries are interested in it?

Mr. FARRELL. No; I could not say.

Mr. BEALL. I believe you state that the United States Steel Corporation never has been a member of that organization?

Mr. FARRELL. No, sir.

Mr. BEALL. Has it been your understanding that any other American steel company has?

Mr. FARRELL. No; I have no knowledge, Mr. Beall, of what our employees in Singapore and in all these countries all over the world may be doing. They may be talking about the rail business with Krupp's people in Valparaiso or some place else.

Mr. BEALL. Did you ever have any intimation or information that the representatives of the United States Steel Corporation, together with the foreign representatives, say, of other corporations, if they have foreign representatives, and the representatives of foreign manufacturing concerns had made among themselves any sort of an agreement looking to the distribution of the trade in steel rails?

Mr. FARRELL. No; I think that is a myth, as far as the general application of the matter is concerned.

Mr. BEALL. Did you ever hear that the percentage of rails produced in the United States, or the percentage of rails allotted to the manufacturers in the United States, in the neutral markets, was about 30 per cent?

Mr. FARRELL. I have seen such statements in the newspapers.

Mr. BEALL. Do you know whether there is any basis of fact for those statements?

Mr. FARRELL. I have no personal knowledge.

Mr. BEALL. Have you any information, aside from your personal knowledge, to which you attach any importance, that there has been a parceling out among the steel-producing companies of the market in this neutral territory?

Mr. FARRELL. No. I believe it is a pretty well accepted fact all over the world that we are large producers of rails, and I think that we may be tolerated in certain places. That is, perhaps our people may do business in some markets, and the manufacturer in Austria might devote most of his time doing business in Roumania and these other countries.

Mr. BEALL. Does this condition of affairs come about simply as the result of accident, or is there any kind of agreement?

Mr. FARRELL. I think the European manufacturers have some agreement among themselves.

Mr. BEALL. Is it the understanding that anywhere within your knowledge, or from information you have received, that the American manufacturers will be tolerated in any country to the extent of 30 per cent of the business of that country?

Mr. FARRELL. No; we have always sold as many rails as we can. I think last year we sold about 340,500 tons.

Mr. BEALL. In the event you sell any amount of rails over and above any specified percentage, are you required to pay any forfeit or any penalty?

Mr. FARRELL. We are not members of any association.

Mr. BEALL. Because of that excess?

Mr. FARRELL. Our company is not a member of any association, and consequently I know nothing about it.

Mr. BEALL. Do you know anything about any agreement among foreign rail makers not to quote the price of rails in the United States below the domestic prices?

Mr. FARRELL. No, sir.

Mr. BEALL. Do you know anything about any agreement among the domestic manufacturers that they will not quote steel rails in any foreign country that produces steel rails below the prices that are quoted there?

Mr. FARRELL. No, sir; I can answer the question, though, to the extent of saying that when I was at our Lorain mill two weeks ago we were rolling rails for Liverpool, Newcastle, and Glasgow.

Mr. BEALL. I believe you stated that you do not know—that you have no knowledge—of any arrangement under which American manufacturers have bound themselves not to quote prices below the prices of their home manufacturers in any foreign country?

Mr. FARRELL. I have no knowledge. I say we have 58 offices all over the world. I do not know what our people may be doing in some of these countries. I presume they are conforming to the laws of those countries. They ought to.

Mr. BEALL. Have you any knowledge of any international agreements controlling or seeking to control the price of pipe and tubes, sheets and wires?

Mr. FARRELL. No; I think a great many years ago there was an arrangement, that there was some effort made to effect an arrangement on pipe.

Mr. BEALL. There is some kind of an international organization in which American manufacturers participate, is there not, in the steel business?

Mr. FARRELL. No, sir; not to my knowledge.

Mr. BEALL. The National Steel Institute, is not that it? Are there not certain Americans members of the International Steel Institute—perhaps is the proper name of it?

Mr. FARRELL. That was a metallurgical convention. I can give you the proceedings of that convention, if you would like to have it.

Mr. BEALL. Have you been present at their meetings?

Mr. FARRELL. Yes, sir; I was present. I have attended a good many of the metallurgical conventions.

Mr. BEALL. What is the name of this particular organization?

Mr. FARRELL. Which?

Mr. BEALL. The one that meets at Brussels?

Mr. FARRELL. It did not have any particular name. It was a convention of metallurgists from all parts of the world—from Russia, Italy, Spain, France, Germany, Austria-Hungary, Great Britain, America, and Canada.

Mr. BEALL. Did it not have any title at all? What did they call it?

Mr. FARRELL. I don't remember. Perhaps the proceedings might tell. Of course it was an international gathering.

Mr. BEALL. What was the purpose of that international gathering, briefly stated?

Mr. FARRELL. The purpose of the gathering was to become acquainted and to discuss papers, the same as in any convention in any industry. The proceedings were printed. They are available for anybody that wants to see them.

Mr. BEALL. Did they have anything to do with the discussion of prices?

Mr. FARRELL. No, sir.

Mr. BEALL. I have seen frequent references to the alleged fact that there was some sort of an international agreement that was being made among manufacturers of steel. Do you know anything about that?

Mr. FARRELL. No. There may be a desire on the part of some of the Europeans to have a thing of that kind. But we know we can not have a thing of that kind, so we could not consider it. I have read, and I thought I had it with me, a copy of a page from one of the English papers in which they stated, I think it was in 1909, that

the British Sheet Iron Manufacturers' Association had no fear of the Americans making any headway in the export trade because of their high costs of labor and the dearness of spelter. I was compiling some figures recently showing we had built our sheet-iron business up to 230,000 tons.

Mr. BEALL. I understood you to say yesterday that the railroads very frequently make demand upon you for rails of certain specifications?

Mr. FARRELL. Yes, sir.

Mr. BEALL. Where there is some variation in the amount of certain alloys that go to make them?

Mr. FARRELL. Yes, sir.

Mr. BEALL. I believe the substance of your answer was that those rails were more durable in some respects and more brittle and more likely to break in others. I noticed a few days ago in some newspaper where some one road, I think in the South, on a train there was a flat wheel and it broke several hundred rails. Did you see that?

Mr. FARRELL. I did not; but I know a flat wheel is likely to do that with a high-carbon rail.

Mr. BEALL. What would that indicate?

Mr. FARRELL. Perhaps too high carbon in the steel, the very thing I was talking about.

Mr. BEALL. That that rail was too brittle?

Mr. FARRELL. Apparently too brittle. A softer rail would have stood an indentation, whereas a very high-carbon rail, high in silicon, would not.

Mr. BEALL. What purpose has the railroad company in equipping its road with rails that are so brittle as that?

Mr. FARRELL. I do not know. Of course, they are harder and they wear longer.

Mr. BEALL. They stand certain classes of wear better than the softer rail?

Mr. FARRELL. Yes, sir; they do.

Mr. BEALL. But, under certain other contingencies, there might be much less trouble with the softer rail?

Mr. FARRELL. Probably.

Mr. BEALL. And the harder rail is more dangerous to human life?

Mr. FARRELL. Yes; it is generally thought so.

I think the railroads, as well as the rail makers, are doing everything they possibly can to develop a rail that is safe.

As far as we are concerned, we would rather pass our dividends than turn out rails that would affect the safety of the traveling public—the safety of ourselves or anybody else who might be traveling on railroads.

Mr. BEALL. But, of course, in filling an order for rails, you comply with the specifications and requirements of the railroad company?

Mr. FARRELL. We are obliged to conform to the specifications presented to us. They insist on that.

Mr. BEALL. Do you know of any instances where these special specifications have been submitted to you upon rails, and submitted to other manufacturers, where different companies would offer to supply the rails at exactly the same figure?

Mr. FARRELL. I do not know. I do know that the American Society of Engineers, and the railway societies and technical men gener-

ally, have been making a constant study of the quality of rails for several years, and they are still at it.

Mr. BEALL. In the transaction of the business of your corporation, when the time arrives that you think the conditions demand a change in price of any articles that you manufacture, what is the process by which that price is changed?

Mr. FARRELL. We simply notify our offices all over the country that the price is either changed up or down, as the case may be.

Mr. BEALL. Preliminary to that change, is there any kind of a consultation between you and anybody else as to whether or not that change should be made?

Mr. FARRELL. You mean within our companies?

Mr. BEALL. No; with anybody outside of your companies?

Mr. FARRELL. No, sir.

Mr. BEALL. At these Gary dinners it is constantly drilled into those that are present that parties there are under the highest moral obligation to maintain prices; that the obligation is more effective and more binding than an agreement that would be signed upon that question.

When you come to change a price, how can you consistently, with that obligation of honor, of which we see so much at the Gary dinners, change that price without conferring with somebody or consulting with somebody, or at least advising somebody that you intended to do it? Would not that be considered a breach of faith, under the code of honor that is established at those dinners?

Mr. FARRELL. Our people might tell somebody that their price is so and so.

Mr. BEALL. Do they do that? Is that a custom? Is that the ordinary rule that is observed? When you get ready to change a price do you advise the other competitors of the fact that you are going to change the price?

Mr. FARRELL. It has been the custom to notify everybody.

Mr. BEALL. If you do not do that do you not render yourselves subject to the charge of breaking this faith with your competitors and marring that spirit of cooperation that you have been seeking to develop?

Mr. REED. Are you speaking of the present or the past, Mr. Beall?

Mr. BEALL. Of conditions now; during the past two or three or four years; anywhere within the recent past.

Mr. REED. During the past few months, of course, the spirit of cooperation has been somewhat damaged by events here in Washington.

Mr. BEALL. We can not quite understand why that would be true, because it was contended that in this spirit of cooperation there was no element of violating any law.

Mr. REED. Not only contended, but believed, Mr. Beall; but other people did not seem to believe it.

Mr. BEALL. Prior to the rude shock that this spirit of cooperation has received in the past few months—prior to that time, when the United States Steel Corporation came to the conclusion that it was proper or necessary to change the price upon any of their staple articles, would they advise the competitors of the contemplated change?

Mr. FARRELL. Possibly. For example, if I met a friend in the street or going out to lunch and he asked what I was selling wire nails for, I would not hesitate to tell him.

Mr. BEALL. Was there any rule or any understanding among those connected with the United States Steel Corporation that when any change of this kind was contemplated the competitors should be advised of the proposed change?

Mr. FARRELL. Not as I understand it.

Mr. BEALL. Was there any custom of that sort?

Mr. FARRELL. There are customs where people have from time to time told each other what they are selling goods for. You can get that information in any industry.

Mr. BEALL. Confining it now to the United States Steel Corporation, I will ask you again if there is any custom prevailing in that organization, when they contemplate making a change in the price of any of their staple articles of trade, of advising their competitors of that proposed change?

Mr. FARRELL. Not specifically. Of course, if prices are changed, they are changed openly; a price would be changed openly. Customers and salesmen would be notified of a change in price.

Mr. BEALL. I will ask this: Were you at the Gary luncheon that was given about May of last year immediately after the Republic Co. had some change in its prices?

Mr. FARRELL. Yes; I think so.

Mr. BEALL. Do you remember whether anything was said at that luncheon, in the spirit of complaint against the Republic Co., that that company had made these reductions in its prices and these changes without giving any notice?

Mr. FARRELL. I do not remember. I have no recollection of it.

Mr. BEALL. I will ask you, at Judge Bartlett's suggestion, if Judge Gary, in his remarks at that luncheon, did not make that complaint that this spirit of cooperation had been broken by the Republic Co. making these changes in prices without giving any notice?

Mr. FARRELL. I think at that time Judge Gary issued a statement about the price conditions. I do not know whether you have a copy of it or not. I do not recall it. He made some reference to the market situation in the statement that he published.

Mr. BEALL. I will ask you, as a matter of fact, if, when the United States Steel Corporation, during the past few years, has made a change in price, other corporations engaged in like business have not made a corresponding change?

Mr. FARRELL. They can learn of it in 10 minutes from customers.

Mr. BEALL. Does it not always result in those other corporations making a change?

Mr. FARRELL. I presume business reasons would cause a man to change his price to conform to the market?

Mr. BEALL. Is it or is it not true that since the organization of the United States Steel Corporation these smaller companies, with the possible exception of the Republic Co. last May, have felt a very great hesitancy in making any great change in their prices without consulting somebody connected with the United States Steel Corporation?

Mr. FARRELL. I have not noticed any such hesitancy.

Mr. BEALL. Have they taken the initiative in making changes in prices of steel products?

Mr. FARRELL. I should say the prices have been changed as often by the small people as they have by the large people. It depends altogether on the exigencies of the mills. If a man has not sufficient business, he changes his price in order to get business. He may have a mill in a locality where business may be less prosperous than it is somewhere else, and he will make his price to take the business.

Mr. BEALL. Then the Gary dinners failed of their purpose? Because, as I understand it, the very purpose of these dinners was to develop and encourage this spirit of cooperation so that these different companies would observe the golden rule and would accord fair and proper treatment to all their competitors.

I believe that is all.

The CHAIRMAN. That is all. Thank you.

Mr. FARRELL. I thank you all for your courtesy, gentlemen.

The CHAIRMAN. We will take up these subpœnas now. I have here the subpœna on Judge Reed, president of the Bessemer & Lake Erie Railroad Co. You know what that asks for, Mr. Reed?

Mr. REED. Yes.

In response to that subpœna I have a statement signed by the auditor of the Bessemer & Lake Erie Railroad Co., in the form dictated by your accountant, showing the traffic of the Steel Corporation and others. Also a map of the railroad. Also the general manager's report for the year ending December 31, 1910.

The subpœna also asks for the report for the year 1911, but that has not been finished as yet. It will be furnished as soon as possible.

The CHAIRMAN. To make a long story short, that is all that Mr. Mannington asked for, and that complies with his request?

Mr. REED. That, with one other document, a 10-year summary of operating costs.

The CHAIRMAN. Which will be furnished?

Mr. REED. Which is furnished now. I hand the chairman now these papers.

The CHAIRMAN. Here is another subpœna for Judge Reed, as president of the Union Railroad Co.

Mr. REED. Here is a statement, Mr. Chairman, in the same form, approved by your accountant, for the Union Railway Co., but, as it publishes no annual reports, I have not been able to present an annual report for the committee.

I understand, however, that the committee's accountants have copied the reports made annually by this railroad company to the Interstate Commerce Commission, and that will give full information.

The CHAIRMAN. All right.

There is another one for Mr. Banks, president of the Elgin, Joliet & Eastern Railroad, asking for certain statistics.

Mr. REED. Mr. Banks is present in person and has the information compiled, and will give it to the committee's accountants, if that is satisfactory to the committee.

The CHAIRMAN. Yes; or to Mr. Mannington.

Mr. REED. If he is here.

The CHAIRMAN. He is not here now.

Mr. REED. Do you expect to be here to-morrow, Mr. Banks?

Mr. BANKS. I can be here to-morrow.

Mr. REED. Have you that information ready to present?

Mr. BANKS. Yes.

Mr. REED. I think Mr. Banks can give that to the committee now.

The CHAIRMAN. The other subpœna is for Mr. W. P. Palmer, president of the Newburg & South Shore Railroad.

Mr. REED. I have that statement, like the other.

The CHAIRMAN. That is on the blank provided?

Mr. REED. That is on the blank dictated by Mr. Mannington, and that company also publishes no annual report, but you have copied its reports to the Interstate Commerce Commission.

The CHAIRMAN. I wish to state that the committee understands that Mr. Sterling is absent from the sessions of the committee on account of a death in his family. We regret very much that he is compelled to be away.

Mr. REED. Mr. Banks has not compiled the information in the same form, Mr. Chairman, but gives the information in full detail, so that it will be a matter of but a few minutes' work by a clerk to put it in the same form.

The Elgin, Joliet & Eastern makes no annual report, but you have a copy of its report to the Interstate Commerce Commission.

The CHAIRMAN. You have seen the subpœna, Mr. Banks, and your statement complies with it?

Mr. BANKS. I have complied with the statement. I have tried to give you what was wanted. I have answered each question.

Mr. REED. If that information is defective in any way, Mr. Chairman, Mr. Banks, of course, can explain it or forward additional information as required.

The CHAIRMAN. I will say to all these gentlemen to whom process has been issued that I assume, of course, you have endeavored to give the information desired, but you will please hold yourselves subject to subpœna, so that if Mr. Mannington wants any further information it will not be necessary to issue another subpœna duces tecum.

Mr. BANKS. We will give all the information that we can. We have tried to do that in this case. Will there be anything further from our railroad?

The CHAIRMAN. I do not know that there will be anything further. I think we can get along better by having Mr. Mannington suggest to you what he wants, to save the necessity for further process.

Mr. BANKS. Will he be here?

The CHAIRMAN. Not to-morrow; but these things will be forwarded to him.

Mr. Gray, you will appear before the committee at 10.30 o'clock to-morrow.

Whereupon, at 4.30 o'clock p. m., the committee adjourned until to-morrow, Wednesday, January 24, 1912, at 10.30 o'clock a. m.

No. 39

UNITED STATES STEEL CORPORATION

HEARINGS

BEFORE THE

COMMITTEE ON INVESTIGATION OF UNITED STATES STEEL CORPORATION

HOUSE OF REPRESENTATIVES

WEDNESDAY, JANUARY 24, 1912

WASHINGTON
GOVERNMENT PRINTING OFFICE
1912

UNITED STATES STEEL CORPORATION.

COMMITTEE ON THE INVESTIGATION OF THE
UNITED STATES STEEL CORPORATION,
HOUSE OF REPRESENTATIVES,
Wednesday, January 24, 1912.

The committee this day met, Hon. Augustus O. Stanley (chairman) presiding.

STATEMENT OF RICHARD H. GREY.

The witness was duly sworn by the chairman.

The CHAIRMAN. Where do you reside, Mr. Grey?

Mr. GREY. I have resided in San Francisco for the last 30 years.

The CHAIRMAN. You were subpœnaed to appear before the committee to-day?

Mr. GREY. I appear in obedience to your telegram and subsequent subpœna.

The CHAIRMAN. What is your business?

Mr. GREY. I am a dealer in iron and steel products, boiler-tube material.

The CHAIRMAN. In order to expedite matters as much as possible, I will ask you, in your own way, to tell us what firm you are connected with, what business it is in, and what transactions you have had as a result of that business with the Government in furnishing supplies for battleships and, incidentally, what experience you have had with the United States Steel Corporation.

Just start at the beginning, giving us an account of the firm with which you are connected. State it in your own way.

Mr. GREY. Mr. Chairman, I have been, you might say, a dealer in iron and steel products for the best part of my life, covering at least a period of 26 years.

In my first experience in San Francisco I was connected with one of the oldest firms in that line of business, in whose employ I remained for 11 years. I have been subsequently in business for myself 14 years.

The CHAIRMAN. What firm was that?

Mr. GREY. I. S. Van Winkle & Co., established in Sacramento in 1849.

Mr. YOUNG. That is the first firm with which you worked?

Mr. GREY. That was my first and only experience outside of being in business on my own account.

I think I can say, without egotism, that I am pretty well posted on conditions as a dealer in iron and steel commodities in San Francisco.

The CHAIRMAN. Are you still in the employ of Van Winkle & Co.?

Mr. GREY. No, Mr. Chairman; I have been in business for myself for the last 14 years.

The CHAIRMAN. What became of the firm of Van Winkle & Co., and how did you happen to go into business for yourself?

Mr. GREY. The firm of I. S. Van Winkle & Co., at the time I was in their employ, were distributing and dealing in iron and steel products in general, and doing business likewise, to a large extent, with the Government, particularly in the years of the Spanish-American War.

I entered their employ for the second time about that period, having been away from them about two years. They solicited my return to that business. They wished to have the benefit of my experience. The principal of that house was in poor health, having had a sunstroke, and consequently they required somebody to manage the business for them of experience.

In that connection, I returned to their employ, and considerably increased their business.

Mr. YOUNG. Will you not fix the time of that second employment?

Mr. GREY. In the year 1896, Mr. Young.

I considerably increased their business, with the Government in particular, and in that branch I gained considerable experience with the Government methods, and became better acquainted with the requirements of the Government, the kind of material that is necessary to meet the Government's specifications and the sources of supply.

It became evident to me, when I went into business for myself, that I must make friends, and I endeavored to make business friends with the United States Steel Corporation, or more particularly with the Shelby Steel Tube Co.

The CHAIRMAN. Was that prior to the time they were absorbed by the Steel Corporation?

Mr. GREY. This was in 1900, Mr. Chairman.

Mr. YOUNG. Just previous to the organization of the steel company?

Mr. GREY. I believe so.

The CHAIRMAN. If the Shelby Steel Tube Co. solicited your business in any way, explain that to the committee.

Mr. GREY. They had done so. I felt that they were friendly to me. I had bought boiler tubes from them, and I had received invitations from them to transact business. Furthermore, I had received samples of their products which were, in a measure, improvements in the direction of a boiler tube for the United States Navy uses.

The CHAIRMAN. Explain to the committee the difference between the boiler tube made by the Shelby Steel Tube Co. and the ordinary tube made from a steel plate.

Mr. GREY. Mr. Chairman, there is what is known in the trade as a seamless cold-drawn steel boiler tube of standard thickness and dimensions, which is used in the ordinary course of business by boiler makers generally. It is manufactured from open-hearth billets or round bars, and in characteristics, chemical analysis, and physical tests it is in no wise different from that which is used by the Navy Department and by the Government generally.

The CHAIRMAN. Is that tube made by a patented process, or was it at that time?

Mr. GREY. It is made by what is known as the seamless process.

The CHAIRMAN. Explain that. How did it differ from the ordinary tube?

Mr. GREY. From my understanding as a dealer, that tube, instead of being rolled into a flat plate and lapwelded, is made from a solid bar, drilled and expanded so that, eventually, it becomes a seamless tube instead of a flat piece of steel which is scarfed on the edges and lapped over and rolled back and forth and in that way united.

As I was stating——

The CHAIRMAN. Were the Shelby people, at the time prior to the organization of the United States Steel Corporation, the only makers of these seamless tubes from a cold billet?

Mr. GREY. I can not say that they were the only makers, but I consider their product the best of that character, in so far that they brought samples to my office at that time, inviting my attention to their qualities for expansion and contraction, bending tests, and various other physical characteristics for which that material might be considered superior.

The CHAIRMAN. At that time they were soliciting your business?

Mr. GREY. Yes.

The CHAIRMAN. Did you purchase from them?

Mr. GREY. I had done so, sir.

The CHAIRMAN. Prior to 1901 or 1902, had you any difficulty in filling your orders with the Shelby Steel Tube Co.?

Mr. GREY. None whatever.

The CHAIRMAN. They sold to you freely?

Mr. GREY. Yes. Not frequently, but freely.

The CHAIRMAN. You may proceed.

Mr. GREY. I went to Mare Island Navy Yard with samples which they had brought to my office when inviting my business, and I introduced them there. I believe I may say that I was the first to introduce the Shelby Steel Tube Co.'s products to the attention of the Mare Island Navy Yard, in consequence of which I received orders from the Navy; and I endeavored to fill those orders. I did so.

In the course of time I found what seemed to be a change of disposition toward me by the Shelby Steel Tube Co. Though they had formerly quoted me and sold me, they were soon unable to do so, for various reasons which they might have stated, such as inability to deliver on time, or inability to quote for this reason or that reason.

It developed in my mind that they were no longer friendly to me, and were rather seeking to pry into the sources to which I sold boiler tubes of that character, with the purpose of defeating me instead of aiding me in securing orders.

Mr. YOUNG. They were trying to sell direct, were they?

Mr. GREY. That would be the inference.

The CHAIRMAN. All right.

Did you take an order at any time lately for the Battleship *Bennington*?

Mr. GREY. I succeeded in obtaining a contract from the Navy Department in August, 1904, for seamless steel boiler tubes of Gov-

ernment requirements, those requirements being that the tubes shall be somewhat thicker than the ordinary standard tube.

The CHAIRMAN. I think, at that point, it would be well for you to explain fully just who bid on this quantity of supplies for which the Government asked for sealed bids, what those supplies were, who were the bidders, who bid on all of them, and who bid on a few of them, and what was necessary to fill that contract, and your whole connection with it. Explain it in your own way. Take your time about it, and tell us the details.

Mr. GREY. I have before me a copy of a contract made with the United States Navy Department, dated August 2, 1906.

Mr. YOUNG. That is a contract between you and the Navy Department, you mean?

Mr. GREY. Yes; Mr. Young.

This contract covers material to be used in the construction of boilers for the U. S. S. *Bennington*, which, as you gentlemen may remember, blew up in the harbor of Santiago a few months prior to this date.

The navy yard officials at Mare Island were intending to build these boilers from the material which was to be furnished cut to dimensions, and which, when erected, would form the complete structure.

It consisted of 55 items of steel bars, rivets, two items of seamless steel boiler tubes, steel plates, wrought-iron nuts and bolts, sheet steel for the smokestack, and up-takes, conected with the boiler, angle-bars, to be used as braces, rib floor plates, to be used in the engine room, of various sizes, dimensions, and shapes, to be in accordance with the Navy Department's specifications covering the manufacture and inspection of that material, relatively.

The CHAIRMAN. Would you object to filing that contract with us, to be embodied in the record?

Mr. GREY. Certainly not.

The contract is as follows:

S. and A. Form No. 234. To be used when the consideration exceeds five hundred dollars and the time allowed for delivery is over thirty days.

CONTRACT No. 75.—*Series 1907.—Pay office S. F., Cal.*

NAVY PAY OFFICE—CONTRACT.

Req. No. 6, Bu. Steam Engineering.
Account of Station Mare Island, Cal.
App'n Steam Machinery, 1907.

This contract, of two parts, made and concluded this second day of August, A. D. 1906, by and between Richard H. Grey, of Oakland, in the State of California, party of the first part, and the United States by the purchasing pay officer, United States Pay Office, San Francisco, Cal., acting under the direction of the Secretary of the Navy, party of the second part, witnesseth, that for and in consideration of the payments hereinafter specified, the party of the first part, for himself and his personal and legal representatives, does hereby covenant and agree to and with the party of the second part, as follows, viz:

That he, the said party of the first part, will furnish and deliver, at his own risk and expense, at such place in the navy yard, Mare Island, Cal., as the commandant thereof may direct, and within sixty days from the date of

this contract, the following articles, and at the price set opposite each item, respectively:

Steam engineering requisition No. 6.

Steel bars, class B, as per blue print.

Item 4—24, 20′ 0″ long, 1¼″ diam., for stay bolts, main boilers.			
Item 5—62, 19′ 6″ long, 2¼″ diam., for main braces, main boilers	P. H. & S. Co.	.0261	90d
Item 6—4, 10′ 0″, 2¼″ diam., for as above	E. A. Temple	.0401	50d
Item 7—152, 2′ 0″, 3½″ sq., for as above	R. H. Gray	.0397	60d
Item 8—32, 2 ft., 4″ sq., for as above.			
Item 9—12, 1 ft., 6″, 4″ sq., for as above.			
Item 10—8, 10 ft., 3″ sq., for as above.			
Item 11—8, 12 ft., 2″ sq., for as above.			
Item 12—4, 16 ft., ⅝″ x 3″ x 5″, angle for bracing front heads to comb. chamber.			
Item 13—1, 20 ft., 4½″ x 3½″ x 15.9 lbs., T bar, for bracing evaporator heads.			
Item 14—78, 16 ft., 1¼″ diam., rivet steel for rivets, main boilers.			
Item 15—169, 16 ft., 1″ diam., rivet steel for rivets, main boilers.			
Item 16—52, 16 ft., ⅞″ diam., rivet steel for rivets, main boilers.			
Item 17—34, 16 ft., ¾″ diam., rivet steel for rivets, main boilers.			
Total estimated weight, 56,028 lbs	.0397 lb.	.2224	31

Seamless mild steel tubes, as per blue print.

Material for four boilers, test pressure 1,000 lbs., finished dimensions of tubes given	P. H. & S. Co.	3.50	90d
	R. H. G.	2.	60d
	Shelley	2.59	60d
Item 18—1,650 ordinary tubes, 7 ft. 2″ long, 2¼″ outside diameter, No. 9, B. W. G.=39,494 lbs., 2.00 ea.		3,300.00	
		5,524.31	
Item 19—310 stay tubes, 7 ft 2″ long, 2¼″ outside diameter, No. 6 B. W. G.=9,908 lbs., 3.50 ea.	P. H. & S. Co.	4.85	90d
	R. H. G.	3.50	60d
	Shelley	3.95	60d

Steel plates.

Class B, as per blue print.

Item 20—Letter A., 24, 15 ft. 6½″ long, 6′ 1″ brdth., ¾″ thickness, for shell, main boiler.			
Item 21—Letter B., 48, 6 ft. 1″ long, 10½″ brdth., 11/16″ thickness, for butt straps, main boilers.			
Item 22—Letter C., 4, 13 ft. 6″ long, 3 ft. 8½″ brdth., 5/16″ thickness, for tops of combustion chmbs	P. H. & S. Co.	.035	90d
	R. H. G.	.039	60d
	Kendall	.0287	60d
	"	.0269	90d
Item 23—Letter D., 4, 12 ft. 5″ long, 3 ft. 8½″ brdth., 5/16″ thickness, for bottom of combustion chmbs	Hoffman	.0288	60d
	"	.0278	150d
	E. A. Temple	.308	40d
Item 24—Letter E., 8, 10 ft. 10″ diameter, ¾″ thickness (flange quality), for front and back heads, main boilers.			
Item 25—Letter F., 8, as per blue print (flange quality), front and back of comb. chamber.			
Item 26—Letter G., 1, 13 ft. long, 5 ft. 4″ brdth., 5/16″ thickness, for shell, evaporator.			

Steam engineering requisition No. 6—Continued.

Item 27—letter H., 1, 10 ft. long, 4′ 6″ brdth., ½″ thickness (flange quality), for heads.				
Total estimated weight, 119,836 lbs.	.039 lbs.	4,673.60		
		11,282.91		
Wrought-iron nuts—Material for four boilers, faced, threaded, and semifinished, as per blue print.				
Item 28—120, 2¾″ diam., 2¾″ depth, standard thrds., Hex., for main braces.				
Item 29—120, 2″ diam., 2″ depth, standard thrds., Hex., for main braces.				
Item 30—40, 1⅜″ diam., 1⅜″ depth, standard thrds., Hex., cold pressed, for manhole plates	R. H. G.		.098	60d
	P. H. & S. Co.		.10⅝	90d
Item 31—640, 1¼″ diam., 1¼″ depth, 12 per in. Hex., cold pressed, for stay bolts.				
Item 32—640, 1¼″ diam., 1¼″ depth, 12 per in. Hex., cold pressed, for stay bolts.				
Total estimated weight, 2,571 lbs.	.098 lb.	251.96		
Steel plates, bars, rivets, and bolts, Class C, as per blue print.				
Item 33—Letter I, 24, 10 ft. long, 3 ft. 10 in. brdth., No. 8 U. S. standard gauge, for smoke pipe.				
Item 34—Letter J, 9, 13 ft. long, 3 ft. 10 in. brdth., No. 8 gauge for, as above.				
Item 35—Letter K, 10, 10 ft. long, 3 ft. brdth, No. 8, for smoke pipe.				
Item 36—Letter L, 24, 10 ft. long, 4 ft. brdth., No. 11 gauge, for smoke pipe.				
Item 37—Letter M, 10, 12 ft. long, 4 ft. brdth., No. 11 gauge, for smoke pipe		11,534.87		
Item 38—Letter N, 4, 10 ft. long, 4 ft. brdth., No. 8 gauge, for uptakes.				
Item 39—Letter O, 4, 10 ft. long, 4 ft. 6″ brdth., No. 8 gauge, for uptakes	Carnegie		.0295	90d
	P. H. & S. Co.		.0327	90d
Item 40—Letter P, 18, 10 ft. long, 3 ft. brdth., No. 12 gauge, for uptakes	R. H. G.		.034	60d
	Hoffman		.0289	55d
Item 41—Letter Q, 6, 10 ft. long, 4 ft. brdth., No. 12 gauge, for uptakes	"		.0279	150d
Item 42—Letter R, 4, 12 ft. long, 5 ft. brdth., No. 3 gauge, for feed tank.				
Item 43—Letter S, 2, 14 ft. long, 5 ft. 4″ brdth., No. 000 gauge, for drip pans for pumps and incidentals	.034 lb.	1,044.65		
Total estimated weight 30,725 lbs.				
Steel angle bars, as per blue prints.				
Item 44—8, 20 ft. long, 2″ x 2″ x ¼″, for smoke pipe.				
Item 45—4, 20 ft. long, 1½″ x 1½″ x 3/16″, for smoke pipe.				
Item 46—52, 20 ft. long, 2½″ x 2½″ x ⅜″, for smoke pipe and floor supports	Carnegie		.0341	
Item 47—10, 20 ft. long, 2½″ x 2½″ x ¼″, for uptakes.				
Item 48—9, 20 ft. long, 2″ x 2″ x ⅜″.				
(8,453 lbs. omitted.)				
Wrought-iron bars, as per blue prints.				
Item 49—26, 12 ft. long, 3″ brdth., 5/16″ in thickness, for flat iron bars	E. A. Temple		.038	40d
	R. H. Gray		.038	60d
Item 50—2, 18 ft. long, 2¼″ brdth., ⅝″ thickness, for flat iron bars.				
Total estimated weight 1,144 lbs.	.038 lbs.	43.47		

Steam engineering requisition No. 6—Continued.

Item 51—50 plates, ribbed floor plating, 3 ft. x 8 ft. x $\frac{5}{16}''$, $\frac{1}{8}''$ ribs, total estimated weight, 17,750 lbs....	P. H. & S. Co.	.0475	90d
	J. B. Kendall	.0425	60d
	Temple	.0445	60d
	R. H. G.	.0438	60d
	.0438 lbs.	777.45	
Steel rivets, as per blue prints.			
Item 52—200 lbs., $\frac{3}{8}''$ diameter, $\frac{7}{8}''$ in length. Button head, smoke pipe.....	P. H. & S. Co.	.06	90d
	R. H. G.	.05	60d
Item 53—200 lbs., $\frac{5}{16}''$ diameter, $\frac{7}{8}''$ button head, uptakes..			
Total estimated weight, 400 lbs.....	.05 lbs.	20.00	
Steel bolts, as per blue prints.			
Item 54—100 lbs.. $\frac{3}{8}''$ diam., 1″ in length, sq. heads, hex. nuts, for smoke pipe.....	P. H. & S. Co.	.08	90d
	R. H. G.	.20	60d
	20 lbs.	20.00	
Item 55—100 lbs., $\frac{5}{16}''$ dia., 1″ long, sq. heads, hex. nuts, uptakes.....	P. H. & S. Co.	.10	90d
	R. H. G.	.20	60d
	20 lbs.	20.00	
		13,460.44	

All tests of material to conform to the specifications for the inspection of material, steel, and iron for use in the construction of machinery coming under the cognizance of the Bureau of Steam Engineering, Navy Department.

Required in 60 days.

It is hereby mutually and expressly covenated and agreed by and between the parties hereto that the article or articles to be furnished or services to be performed under this contract shall conform in all respects to the requirements of the specifications hereunto annexed, which specifications, the "Conditions" and the "Instructions," printed on the proposal of the party of the first part, shall be deemed and taken as forming a part of this contract, with the like operation and effect as if the same were incorporated herein; and said article, articles, or services shall, upon delivery or completion, be subject to inspection and examination by the officer or officers authorized by the party of the second part to inspect and examine the same; and no article furnished or services performed under this contract shall be accepted until it or they shall have been inspected and approved by such officer or officers; and any of said articles not so approved shall be removed by the party of the first part at his own expense and within ten days after notification.

It is further covenated and agreed, as aforesaid, that if the party of the first part shall fail to deliver any or all of the articles or materials or to perform any or all of the services herein contracted for, in conformity with the conditions and requirements of this contract, the party of the second part shall make deductions as follows from the contract price of all supplies not satisfactorily delivered or services not satisfactorily performed, by the last day of the time fixed therefor by this contract, viz:

Up to and including ten thousand dollars ($10,000) in value at contract prices, at the rate of one-tenth of one per cent, and above ten thousand dollars ($10,000) at the rate of one-twentieth of one per cent for each day's delay until satisfactory delivery or performance shall have been made, or until such time as the party of the second part may procure the same as hereinafter provided, rejection of deliveries or performance not to be considered as waiving deductions. In the case the deductions to be made hereunder should equal three per cent of the stipulated value of the articles or materials not so delivered or services not so performed, this contract may, at the option of the Bureau of Supplies and Accounts, be canceled and the party of the first part barred from competition for future contracts: *Provided*, That delays on account of which deductions may be made or this contract canceled, as herein stated, caused by strikes, riots, fire, or other disaster, or delays in transit or delivery on the part of transportation companies, or when no damage or inconvenience has been suffered by the Government, may, in the discretion of the Bureau of Supplies and Accounts, be accepted as sufficient cause for waiving such deductions or cancellation.

It is, however, further covenated and agreed, as aforesaid, that the party of the second part may, in case he should so elect, purchase in open market or by contract with some other person such of said articles or materials, or procure the performance of such services, as the party of the first part shall fail to deliver or perform as required; and may demand and recover from the said party of the first part the difference between the price so paid therefor and the price herein stipulated; and the party of the first part hereby binds himself and his representatives aforesaid to pay the amount of such difference to the party of the second part on demand, it being understood that no deductions for delays shall be made in accordance with the preceding clause hereof from the price of any article or material or service after the same shall be delivered or performed, when purchased or procured as provided in this clause.

It is further covenanted and agreed, as aforesaid, that the said party of the first part shall indemnify the United States, and all persons acting under them, for all liability on accounty of any patent rights granted by the United States which may affect the adoption or use of the articles herein contracted for; that no Member of or Delegate to Congress, nor any person belonging to or employed in the naval service is or shall be admitted to any share or part of this contract, or to any benefit which may arise therefrom, except as a member of a corporation; that any transfer of this contract, or of any interest therein, to any other person or party than said party of the first part, shall annul this contract so far as the United States are concerned; that if said party of the first part shall fail in any respect to perform this contract on his part, it may, at the option of the United States, be declared null and void, without prejudice to the right of the United States to recover for defaults herein or violations hereof; and that, in case of such default, the United States may demand and recover of said party of the first part and his representatives aforesaid, as liquidated damages, a sum of money equal to the penalty of the bond accompanying this contract.

And this contract further witnesseth that the United States, party of the second part, in consideration of the foregoing stipulations, do hereby covenant and agree, to and with the party of the first part, as follows, viz:

That upon the presentation of the customary bills and the proper evidence of the delivery, inspection, and acceptance of the said article, articles, or services, and within ten days after the warrant shall have been passed by the Secretary of the Treasury, there shall be paid to the said Richard H. Grey, or to his order, by the Navy paymaster for the port of San Francisco, Cal., the sum of thirteen thousand four hundred and sixty dollars and forty-four cents ($13,460.44) for all the articles delivered or services performed under this contract: *Provided, however*, That no payments shall be made until all the articles or services shall have been delivered or performed and accepted, except at the option of the Bureau of Supplies and Accounts.

It is mutually understood and agreed, as aforesaid, that no payment or allowance to said party of the first part will or shall be made by the United States for or on account of this contract except as herein specified; that 10 per cent will be withheld from the amount of each payment herein stipulated as security for the full completion and performance of his covenants and agreements by the said party of the first part, who shall, when all the articles to be delivered or services to be performed hereunder shall have been accepted, be entitled to receive the aggregate amount of such reservations.

In witness whereof the said parties have hereunto set their hands and seals the day and year first above written.

RICHARD H. GREY. [L. S.]
R. T. M. BALL. [L. S.]
Pay Inspector, U. S. N., Purchasing Pay Officer.

Signed and sealed in the presence of—
A. K. DAGGETT,
As to party of the first part.
W. J. COMMIN,
As to purchasing pay officer.

U. S. NAVY PAY OFFICE, *San Francisco, Cal.*

BOND.

Know all men by these presents, that we, ——— ———, Richard H. Grey, as principals, and Henry L. Van Winkle & Leonard J. Gates, as sureties, all of San Francisco, Cal., are held and firmly bound unto the Secretary of the Navy in the penal sum of thirty-five hundred dollars, to be paid to the Secretary of

the Navy or his successors, for which payment, well and truly to be made, we bind ourselves, our heirs, executors, and administrators, jointly and severally, by these presents.

Sealed with our seals and dated this 8th day of September, A. D. 1906.

CONDITIONS.

The conditions of the above bond are such that if the said above-bounden Richard H. Grey, his heirs, executors, or assigns, shall, well and truly and in a satisfactory manner, fulfill the contract hereto annexed and deliver the articles mentioned within the time specified and to the satisfaction of the Bureau of Supplies and Accounts, then this obligation to be void and of no effect; otherwise to remain in full force and virtue.

RICHARD H. GREY. [L. S.]
HENRY L. VAN WINKLE. [L. S.]
LEONARD J. GATES. [L. S.]

Signed and sealed in presence of—
A. K. DAGGETT.

JUSTIFICATION OF THE SURETIES.

STATE OF CAL., *County of San Fco., ss:*

I, Henry L. Van Winkle, one of the sureties named in the within bond, do swear that I am pecuniarily worth the sum of thirty-five hundred dollars over and above all my debts and liabilities; that I am not a copartner of the said Richard H. Grey; and that I have no contract at this time with the Bureau of Supplies and Accounts.

HENRY L. VAN WINKLE, *Surety.*

Subscribed and sworn to before me this 8th day of Sept., A. D. 1906.

[SEAL.] A. K. DAGGETT,
Notary Public in and for the City and County of San Francisco, State of California.

STATE OF CAL., *County of San Fco., ss:*

I, Leonard J. Gates, one of the sureties named in the within bond, do swear that I am pecuniarily worth the sum of thirty-five hundred dollars over and above all my debts and liabilities; that I am not a copartner of the said Richard H. Grey; and that I have no contract at this time with the Bureau of Supplies and Accounts.

LEONARD J. GATES, *Surety.*

Subscribed and sworn to before me this 8th day of Sept., A. D. 1906.

[SEAL.] A. K. DAGGETT,
Notary Public in and for the City and County of San Francisco, State of California.

CERTIFICATE.

(To be signed by any United States officer.)

SAN FRANCISCO, *Sep. 13, 1906.*

I, N. S. Farley, deputy collector of customs, do hereby certify that Henry L. Van Winkle and Leonard J. Gates, the sureties above named, are personally known to me, and that, to the best of my knowledge and belief, each is pecuniarily worth, over and above all his debts and liabilities, the sum stated in the accompanying affidavit subscribed by him.

[SEAL.] N. S. FARLEY,
Deputy Collector of Customs.

The CHAIRMAN. As I understand, Mr. Grey, this contract includes hundreds of items of various kinds and descriptions?

Mr. GREY. If multiplied by the number of pieces and the number of items, it would have amounted to a great many pieces.

The CHAIRMAN. What was the total amount of that bid? What was your bid?

Mr. GREY. The sum total of my bid was $13,460.44.

The CHAIRMAN. Who else bid on that contract?

Mr. GREY. The bid was opened simultaneously in two places by the Navy Department. Invitations to the dealers generally in San Francisco represented one point, and invitation to the dealers in Washington, through the Navy pay office here, represented another point.

My total bid of $13,460.44 seems to have been, from information received, the only complete bid of the entire schedule.

The CHAIRMAN. You were the only one who agreed to furnish the whole bill?

Mr. GREY. That is the case.

The CHAIRMAN. Was the Government anxious to have one bidder furnish all these things?

Mr. GREY. I presume it would be desirable to have the material, as far as possible, come from one concern.

The CHAIRMAN. Explain that to the committee, so that we may understand why the Government desired, if possible, to have one man furnish all these things, and the terms and conditions upon which they were furnished.

Mr. GREY. As relates to the steel bars and steel plates, which form the body of the boilers, they were required to be in accordance with the Navy Department's specifications, known as Class B. This seems to have been the major portion of the value of the contract, and I should esteem it, from my experience as a dealer, wise to have that material, as far as possible, come from one manufacturer, where it might have uniformity of physical characteristics.

The CHAIRMAN. Was it necessary for you to assemble these parts?

Mr. GREY. It was necessary for me to deliver these parts at the Mare Island Navy Yard within a period of 60 days.

The CHAIRMAN. If they were bought from several different persons could they be assembled with the same facility? Explain that.

Mr. GREY. It can be so done, Mr. Chairman, but there is hardly any source from which I could obtain, at once, from one point of origin, all the items covered by this contract.

The CHAIRMAN. Are any of these things manufactured on the Pacific coast or any number of them?

Mr. GREY. None whatever of this character.

The CHAIRMAN. To what distance did you have to transport these various things in order to assemble them at a given time at the Mare Island Navy Yard?

Mr. GREY. I had to bring all that from the East.

The CHAIRMAN. Upon what terms was this contract let? In other words, was it necessary that you furnish all those items, or what was the result if you defaulted or failed to furnish any of the hundreds of items named there in that $13,000 contract? What is the Government regulation as to that?

Mr. GREY. Having been awarded this contract, Mr. Chairman, for delivery within the period of 60 days, I might call your attention, if you please, to the fact that the time necessarily consumed in transportation required me to act rather quickly to get my orders placed in the East, and to get them executed and tested and inspected as was necessary in this case by the inspector directed to go to the various places of manufacture and inspect this material and put upon it his stamp of approval before I would have permission to ship it.

Therefore it would seem that I had taken indeed a contract upon my hands.

There is a penalty clause attached to this contract for nondelivery within the time specified by the contractor. It covers quite a long paragraph of matter. Mr. Chairman, if you please, I would submit it in the evidence here.

The CHAIRMAN. What is the substance of it? What does it provide?

Mr. GREY. The sum and substance of it is, Mr. Chairman, that there is a penalty provided for each day of delay, apparently to the extent of one-tenth of 1 per cent per day when the contract amounts to over $10,000 total, as this did. In other words, 1 per cent for every 10 days, or 3 per cent per month would be the penalty.

The CHAIRMAN. Are you under any obligation to make good any loss the Government sustains?

Mr. GREY. The Government has the practice of deducting that from my voucher in payment.

The CHAIRMAN. Has the Government the right to exclude you from all future bidding in case of default if it so chooses?

Mr. GREY. I so understand it—at the discretion of the Secretary of the Navy.

The CHAIRMAN. Did you furnish these items, and, if you did not, what item did you fail to furnish on this contract with the Government as per your contract?

Mr. GREY. I furnished all these 53 items on time, in accordance with the requirements.

Mr. YOUNG. All of the items contained in the contract?

Mr. GREY. Fifty-three of the 55.

Mr. YOUNG. All but two?

Mr. GREY. Yes; leaving out of the matter the two items of boiler tubes which I have mentioned. Shall I read them?

The CHAIRMAN. Yes.

Mr. GREY. Item 18: One thousand six hundred and fifty ordinary tubes, 7 feet 2 inches long, 2¼ inches outside diameter, No. 9 Birmingham wire gauge.

Item 19: Three hundred and ten stay tubes, 7 feet 2 inches long, 2¼ inches outside diameter, No. 6 Birmingham wire gauge.

Known jointly as seamless mild steel tubes as per blue print of material for four boilers.

Test pressure, 1,000 pounds. Finished dimensions of tubes given.

There is no blue print attached at this time to that contract, Mr. Chairman.

The CHAIRMAN. That is sufficient for our purposes.

Mr. GREY. I can not speak, therefore, as to what it was like, but it was a diagram which can be duplicated from the records of the Navy Department.

The CHAIRMAN. That is all right. That is a sufficient description for our purposes, is not not, Mr. Young?

Mr. YOUNG. I should judge so. I do not know the purpose of this.

The CHAIRMAN. Who manufactured these tubes?

Mr. GREY. At this time I had supposed there might be a number of manufacturers, not many. The class of material called for by this contract being identified, as it was, with the necessity of providing Government inspection by the Navy Department at the mill or

place of manufacture, involved in itself some restrictions as to the sources of supply. There were, perhaps, some manufacturers who could and others who would not if they could supply material of this character, owing to the necessity of having a Government inspector come into their works and take up their time in testing material of this character, when ordinary material for the market need not require that formality.

The CHAIRMAN. You have spoken of the difficulty you had in securing tubes of this kind from 1901 to 1902 and subsequently.

Just explain to the committee what previous difficulties you had and what difficulties you encountered in your effort, if you made any effort, to supply these tubes to the Government.

Mr. GREY. I had ceased to look to the United States Steel Corporation or to the Shelby Steel Tube Co. for prices with any hope of being able to secure the material from that source.

The CHAIRMAN. Why?

Mr. GREY. For the reason that I had been informed by one of its representatives, in confidence, that he was not allowed to sell me these tubes.

The CHAIRMAN. What other efforts did you make?

Mr. GREY. I had purchased tubes subsequent to that from the Detroit Seamless Steel Tube Co., from the Delaware Seamless Steel Tube Co., and from large dealers outside of the Pacific coast in similar commodities, whose influence, I thought, might be greater than my own with the United States Steel Corporation direct.

The CHAIRMAN. Why did you think they would have greater influence? Explain that.

Mr. GREY. They were large buyers from the United States Steel Corporation generally.

The CHAIRMAN. Who were they?

Mr. GREY. Shall I be obliged to mention the names?

The CHAIRMAN. Yes. I would prefer that you give the names.

Mr. GREY. The Scully Steel & Iron Co., of Chicago; Joseph T. Ryerson & Son, of Chicago. Those were the only dealers from whom I tried to get boiler tubes.

Mr. GARDNER. What year was this?

Mr. GREY. This would be between the years 1902 and 1904.

Mr. YOUNG. This contract was in 1906?

Mr. GREY. Yes.

Mr. GARDNER. I was asking in what years you asked the Scully and the Ryerson concerns to act for you as intermediaries in the way you have suggested.

Mr. GREY. During the years 1902 and 1904.

Mr. GARDNER. In both years both firms were tride by you as intermediaries?

Mr. GREY. Yes.

The CHAIRMAN. Did you try other firms?

Mr. GREY. The manufacturers that I likewise bought of in that period I have already mentioned were the Delaware Seamless Steel Tube Co. and the Detroit Seamless Steel Tube Co.

The CHAIRMAN. When you communicated with these concerns, did you write to them or wire to them?

Mr. GREY. I generally wrote to them, because it was necessary to explain at length the nature of the material I was endeavoring to secure.

The CHAIRMAN. What became of your correspondence?

Mr. GREY. The correspondence covering that period of time I regret to say was destroyed.

The CHAIRMAN. Did you make any request that your communications be not made known to or be kept from the Shelby Steel Tube Co. or the United States Steel Corporation?

Mr. GREY. As relates to that particular contract I did.

The CHAIRMAN. Tell us about that.

Mr. GREY. But, of the period of which I understood you to speak——

The CHAIRMAN. I am going too fast for you, possibly.

Mr. GREY. Prior to 1906——

The CHAIRMAN. Did your correspondence go to the Shelby Steel Tube Co., nevertheless?

Mr. GREY. In this particular instance I found it to be the case. I found it to be the case likewise in one previous instance of the kind. May I proceed?

The CHAIRMAN. You have explained who were the other bidders for this contract?

Mr. GREY. Do you wish me to enumerate all the bidders?

The CHAIRMAN. Yes; for that contract.

Mr. GREY. All the bidders of any kind, on any portion of this material, or shall I confine myself to the bidders on boiler tubes?

The CHAIRMAN. The bidders on the boiler tubes; yes.

Mr. YOUNG. As I understand it, this contract was awarded to this gentleman, was it not?

The CHAIRMAN. Yes.

Who were the bidders for the boiler tubes—or all of them?

Mr. GREY. The bidders for the boiler tubes were three: Myself, on item 18, at the price of $2 for each tube; and on item 3 my price was $3.50 for each tube. The next lowest bidder was the Shelby Steel Tube Co., on item 18, $2.59 per tube.

Mr. GARDNER. What was your bid on item 18?

Mr. GREY. $2.

On item 19, the Shelby Steel Tube Co.'s bid was $3.95 per tube.

Mr. YOUNG. And yours was $3.50?

Mr. GREY. Yes.

There was one other bidder, a dealer in San Francisco, known as the Pacific Hardware & Steel Co., $3.50 per tube on item 18, delivered in 90 days; and on item 19, $4.85 per tube, delivered in 90 days. These prices necessarily meaning f. o. b. Mare Island Navy Yard, Cal.

I must be allowed, if you please, to state that this bid of the Shelby Steel Tube Co. was filed through the Navy pay office at Washington simultaneously with my own bid in San Francisco.

The CHAIRMAN. Did you know that the Shelby Steel Tube Co. was a bidder on those tubes?

Mr. GREY. At the time I filed my bid I had no idea of it. I could not have known that there was any intention on the part of the Government to invite bids from one or more sources; but it so appeared that they had done so.

The CHAIRMAN. After you got this contract what effort did you make to secure these tubes. Explain that in detail, as to what you did after this contract was awarded to you?

Mr. GREY. I made a direct effort to buy them from the Shelby Steel Tube Co. from its agent in San Francisco, one Thomas Brooks, then representing what was known as the National Tube Co., the Shelby Steel Tube Co., and the Western Tube Co., if I may take it for granted that those firms over the door were the companies that he represented. Notwithstanding the previous conviction in my mind that the Shelby Steel Tube Co. did not care to sell to me, it appeared that my independent efforts to secure these tubes from any other source were defeated. I had endeavored to buy them from the Detroit Seamless Steel Tube Co., under date of a letter of August 25, 1906, in which I requested that they might quote me prices on these boiler tubes, giving the full details of the requirements of such bids, and requesting them, if they were unable to make me such qualities, that they would please return my correspondence and not forward it for reference to the Shelby Steel Tube Co., which had been the case at a former period.

Notwithstanding my request to that effect, they declined to quote me, but forwarded my correspondence and inquiry to the Shelby Steel Tube Co. I likewise tried to secure these boiler tubes for the Government from the Seamless Steel Tubes Co. of Pittsburgh; also from Messrs. Woods & Huddart, Mr. Woods having formerly been the representative of the Shelby Steel Tube Co. in San Francisco.

Mr. GARDNER. Of which company?

Mr. GREY. Of the Shelby Steel Tube Co. I thought he, if anyone, would know what independent sources of supply there might be for boiler tubes.

This firm of Woods & Huddart returned my inquiries with the statement that they could not find any source of supply other than that of the Shelby Steel Tube Co.

I likewise tried to buy these tubes from the Ivins Elwood Tubes Co., of Philadelphia, and on September 10, 1906, I likewise received a negative reply for quotations from this firm.

The CHAIRMAN. Tell me what efforts you made to get them direct from the Shelby Steel Tube Co., where you knew they were.

Mr. GREY. I had felt that this was my last hope of getting them from the Shelby Steel Tube Co., or else be in default in the contract. So, I addressed the Shelby Steel Tube Co., under date of August 14, 1906, a letter to Pittsburgh, requesting that they telegraph me an answer as to what price they would make me for these specifications of boiler tubes, explaining in detail for what purpose they were required, and everything connected with it, and asking them to telegraph me an answer.

Mr. REED. What is the date of that letter, please?

Mr. GREY. August 14, 1906.

The CHAIRMAN. At that time were they apprized of the fact that you had been awarded this contract?

Mr. GREY. This contract having been awarded to me by the San Francisco Navy pay office, under date of August 2, Mr. Chairman, there was an interval of 12 days between the date of my letter and date of this contract, and 5 days further for this to reach the hands

of the Shelby Steel Tube Co., which would seem to be 17 days after the award of this contract. They might have been so informed.

Mr. REED. You say that is August 14? That would be 12 days after the award.

Mr. GREY. My letter to the Shelby Steel Tube Co. was August 14. I requested, in that letter, that they wire me the price, if any, that they were willing to name me.

I called at the company's office in San Francisco about a week later to inquire if any answer had been received.

The CHAIRMAN. Will you make that letter a part of your evidence?

Mr. GREY. I will.

EAST OAKLAND, CAL., *August 14, 1906.*

SHELBY STEEL TUBE CO., *Pittsburgh, Pa.*

GENTLEMEN: Inclosed please find sketch of seamless-steel boiler tubes required for the United States Navy Department; material to conform to specifications shown, with which you are fully familiar, and consisting of the following: 1,650 ordinary tubes, 2¼ inches outside diameter, 7 feet 2 inches long, No. 9 BWG; 310 stay tubes, 2¼ inches outside diameter, 7 feet 2 inches long, No. 6 BWG, as per sketch.

Having received the order for the above, which I am anxious to execute without delay, I would thank you to wire me on receipt your lowest price for each kind of tubes delivered f. o. b. Mare Island Navy Yard, shipment to be made complete within 45 days from receipt of order. You will remember having furnished the Mare Island Navy Yard with these identical tubes, as appears from my records, for the U. S. S. *Yorktown* requisition 44 S. E., 1903, at the unit price of $1.58 and $3.05 per tube, respectively. This would appear to have been completed in the early part of 1904. Please have the kindness, therefore, to wire me your lowest price, as requested, which I trust will be within the figures above referred to, so that I can immediately wire you to proceed. It being some time since I bought any material from you, I purpose furnishing banker's guarantee of payment with the order in the event of the price being satisfactory.

Yours, very truly,

RICHARD H. GREY.

128 CALIFORNIA STREET, *San Francisco, Cal.*

Mr. GREY. I was advised by the agent, Mr. Brooks, that he had been instructed to say that the Shelby Steel Tube Co. had put in its bid to the Navy Department on these specifications—I believe I am quoting his exact words; they were words to that effect, at least.

This covers your previous point, Mr. Chairman. Although, in my communication of August 14, I had stated to the Shelby Steel Tube Co. that this contract had been awarded to me, it seems that this was their reply. I find, Mr. Chairman, that I made not one effort to secure this particular lot of boiler tubes from the Detroit Seamless Steel Tube Co., but I made two efforts to do so.

On receipt of the Shelby Steel Tube Co.'s answer, through its agent, to the effect that they had bid on this contract to the Navy Department, I requested its agent to telegraph to the company that if they, so to speak, labored under the delusion that there was any hope of their receiving the contract direct, they must disabuse their mind of it, because their bid must have been considered adversely in that case, since I had been given the contract. That being the case, I again invited them to quote me prices, through their agent in San Francisco.

In the course of a few days I called again upon the agent to find what reply, if any, had been received to that statement. He repeated to me that he had nothing further to add to what he had said before;

that the Shelby Steel Tube Co. had bid direct on these tubes. I am not sure whether I made a third visit to his office or whether I appealed to the Shelby Steel Tube Co. myself again direct, in a telegram, dated September 20, 1906. Permit me to call your attention to the fact that on September 20, 1906, I was not yet in default, that date not being yet 60 days after the date of my contract, but I was getting on very thin ice.

This is the wording of my telegram to the Shelby Steel Tube Co., under the said date of September 20, 1906:

Why will you not treat with me on specification boiler tubes for *Bennington*, Mare Island, Requisition No. 6, Steam Engineering? Can we come to no mutual understanding?

In due time I called again upon the company's agent, Mr. Brooks, in San Francisco, to know what reply, if any, had been received to that message, since I received no direct reply myself.

Mr. Brooks informed me that he merely had to say that the Shelby Steel Tube Co. had put in their bid direct to the Navy Department on this lot of tubes. He would not confirm this in writing, or do anything in the matter further than to reiterate the verbal information already given me.

The CHAIRMAN. Did you explain to him that it was incumbent on you to show the Government you had every means to supply this contract except these tubes, and that your standing as a business man would be affected? Did you ask him to give you a positive denial, and his reasons for his refusal to sell, in order that you might make yourself clear before the Department, that they might understand the reason for your inability to keep a contract into which you had entered?

Mr. GREY. Yes, sir.

The CHAIRMAN. What reply did they make to that entreaty?

Mr. GREY. There never was any question raised as to my financial ability or my reputation in San Francisco as a dealer, able and willing to pay for anything that he purchased or contracted for. My standing thus far with the Navy Department had been without reproach. I had filled contracts to the extent of many hundreds of thousands of dollars, and, whilst I was not rich, I had the means to pay for those things which I desired to purchase.

The CHAIRMAN. Did you make it known to these agents of the United States Steel Corporation that price had ceased to be a consideration with you; that you were willing to pay any price to get these tubes?

Mr. GREY. I did not so specifically state, unless it might be inferred from the last paragraph of my telegram to the company direct, in which I said:

Can we come to no mutual understanding?

I take it at that time that my frame of mind was such that I was willing to pay any sum of money that I possessed or that I could borrow in order to keep myself from disgraceful default before the Navy Department and to be ruled out of future competition at the discretion of the Secretary of the Navy.

The CHAIRMAN. Was price any consideration with you, if these people would sell you the tubes they had?

Mr. GREY. I must have produced that price, if it were in my power, in order to sustain my self-respect and my standing before the Navy Department, which I valued more than anything I possessed.

The CHAIRMAN. Proceed and tell us whether you were able to get these tubes at all or not, and what happened.

Mr. GREY. Not being able to account for this strange repetition of this same song, as to the Shelby Steel Tube Co. having bid direct to the Navy Department, I thought I would make some independent investigations in order to determine, if I could, what was the reason, since I could conceive of none of a businesslike nature.

In my investigations I wrote to my correspondent in Washington to look up the records in the Navy pay office at Washington, in order to find out if I had offended, so to speak, the Shelby Steel Tube Co. by bidding a price which was in confliction with their own.

If you will permit me to call attention again to the difference in our prices, you may note that my price on item 18 of $2 and their price of $2.59 per tube, and on item 19 my price of $3.50 per tube and their price of $3.95 per tube, would seem, on the sum total of the material involved, to indicate that I had underbid the Shelby Steel Tube Co. on those two items in the total sum of $1,113, every other thing being equal, as it was.

Mr. Chairman, it might seem, therefore, that the Navy Department had awarded me this contract by virtue of my being, for the first reason, the lowest bidder; but I think there was a further reason actuating the Navy Department in this connection—that I was the only bidder on the complete schedule; and if I understand the rules and regulations of purchases by the Navy Department at this period correctly, it was informal on the part of the Shelby Steel Tube Co. to bid on these two items alone, or for any other firm to offer an incomplete bid on the entire schedule of material desired.

Therefore, I take it, that under any circumstances the Shelby Steel Tube Co. would not have been awarded that contract.

The CHAIRMAN. Did you make any explanation to the department of your inability to furnish these articles for the reasons you have indicated?

Mr. GREY. Finding myself now defeated at every turn, unable to conceive of any other sources of supply, having exhausted all those within my knowledge and experience of years past, having also in mind the fact that the former representative of this company, who naturally would be better informed as to which were and which were not the United States Steel Corporation mills, I took it for granted that I was losing valuable time, and that the consequence might be very serious for me if I did not at once lay the facts before the Navy Department.

Therefore, under date of October 31, 1906, or 90 days, about, after entering into this contract, and being now 30 days in default for nondelivery, I addressed a letter to the purchasing pay officer in charge of the Navy pay office in San Francisco, containing a full statement of the case for transmission to the Paymaster General of the Navy Department at Washington.

The CHAIRMAN. Will you file that letter with your testimony?

Mr. GREY. I shall be pleased to do so.

The letter is as follows:

EAST OAKLAND, *October 31, 1906.*

SIR: Referring to open purchase requisition No. 6, S. E., covering boiler material for the U. S. S. *Bennington* at Mare Island, I regret to inform you with regard to items 18 and 19, calling, respectively, for 1,650 ordinary tubes and 310 stay tubes, to be made in accordance with Bureau of Steam Engineering specifications, that I am unable to find any manufacturer of boiler tubes in the United States who is at present willing to undertake this order.

On August 14, 1906, I wrote the Shelby Steel Tube Co., Pittsburgh, negotiating for the purchase of the tubes required. Within a week I called at the company's office, Sixteenth and Folsom Streets, San Francisco, and was informed that instructions had been received by telegraph to say to me that the "Shelby Steel Tube Co. had put in its bid to the Navy Department on this specification." Although I had in my communication of August 14, 1906, previously stated that the award for said specification of tubes had already been made to me, I requested that the company might again be advised of this fact by wire. In the course of a few days I again called at the San Francisco office, and was advised that the company had instructed its representative to again say to me that the "Shelby Steel Tube Co. had put in its bid to the Navy Department on this specification." Therefore, on August 24, 1906, I intrusted Mr. Charles Woods, recent representative of the said company, but now of the firm of Woods & Huddart, S. F., to secure these tubes in any way possible. On August 25, 1906, I addressed also the Detroit Seamless Steel Tubes Co., Detroit, and the Seamless Steel Tubes Co., Pittsburgh, in an independent effort to secure the tubes. On August 30 Messrs. Woods & Huddart returned my inquiry, advising their failure to secure said tubes from any of the sources known to them. The companies last mentioned were, by a coincidence, the same ones addressed simultaneously by myself and Woods & Huddart, and which returned me direct negative replies about a week later. Under date of August 31, 1906, and at the suggestion of the said Woods & Huddart, I addressed Ivens-Ellwood Tubes Works, Philadelphia, and about September 10, 1906, received their negative reply also. They having referred my inquiry to the Detroit Seamless Steel Tubes Co., I again took the matter up with said company by wire, and on September 19, 1906, received their wire reply again declining the business. On September 20, 1906, I wired direct to Shelby Steel Tube Co., Pittsburgh, as follows:

"Why will you not treat with me on specification boiler tubes for *Bennington*, Mare Island? Requisition No. 6 steam engineering. Can we come to no mutual understanding?"

In due time I again communicated with the company's San Francisco office and was told by the representative in charge that he had nothing new to impart; that his instructions remained the same as before, viz, to merely say to me that "Shelby Steel Tube Co. had bid direct to the Navy Department on this lot of tubes." He would not confirm this in writing, or do anything in the matter further than to reiterate the verbal information already given. Being at a loss to account for this unbusinesslike attitude, I have since procured the unit prices of Shelby Steel Tube Co.'s bid, opened at the Navy pay office, Washington, D. C., July 25, 1906, and am informed that their bid was $2.59 and $3.95 per tube, respectively, total $5.498, while mine was $2 and $3.50, respectively, total $4,385. By referring to Mare Island requisition No. 44 S. E. for U. S. S. *Yorktown*, opened toward the end of 1903, it appears of record that the Shelby Steel Tube Co. supplied similar tubes, identical in every way to those now in question, excepting in a slight diminished quantity, and delivered same at Mare Island early in 1904 at the unit prices of $1.58 and $3.05 per tube, respectively, which would equal a total in the quantity covered by present requisition of $3,568.60, showing an increase in their present bid of $1,929.50, or about 55 per cent. I need go no further in seeking their motive for refusing to treat with me, who has been the instrument of upsetting their plans. But the fact remains that the Shelby Seel Tube Co. conrol the output of this class of tubes as called for in the present requisition, and being associated with the National Tube Co. and Western Tube Co., which are like themselves constituent enterprises of the United States Steel Corporation and jointly represented by the same officers at Sixteenth and Folsom Streets, San Francisco, they own and monopolize nearly all, if not all, the boiler tube works in the country. The San Francisco representative of the associated companies aforesaid has, indeed, stated to me that they are practically one company—separate only as

relates to the board of directors—and any boiler tube orders for the United States Navy would be referred by either company to the Shelby Steel Tube Co.

I am fully persuaded also that no mill outside the trust has the privilege of furnishing Government tubes, either direct or to any individual who shall be proscribed by the Shelby Steel Co. The persistence with which this company has called my attention to its bid, even after such bid had received adverse consideration, could only be borne of the knowledge that it has a monopoly and intends to brook no competition on Government business.

I inclose all documents in my possession relating to the facts recited, calling attention to the absence of any writing of the Shelby Steel Tube Co. for the reasons stated.

No one could be more desirous of filling his contract with the Government than myself, both from a sense of pride as well as duty, but in the face of such obstacles as have presented themselves to me in this matter, it raises a doubt in my mind as to whether a contractor may justly be held liable for his contract when the material to be furnished is under the sole control of an unscrupulous trust.

If this circumstance of my case should not provide for my release from this obligation unless with the alternative of my being held as in default, I reluctantly ask that purchase shall be made of the boiler tubes for my account. On the other hand, if it shall appear, as I have stated, that the Shelby Steel Tube Co. is exercising an unlawful monopoly, the extent of which amounts to that of a conspiracy to restrain competition, or has otherwise prevented my furnishing the tubes called for, in such event I would respectfully ask, as an act of grace and clemency of the Navy Department, that I may be released from the contract without detriment.

Very respectfully, RICHARD H. GREY.

Pay Inspector R. T. M. BALL, United States Navy,
Navy Pay Office, San Francisco.

In that letter, as you will see, I called attention to the fact that I had exhausted every means in my power to comply with that contract. If you will permit me, I will repeat the closing paragraph of that letter.

Mr. GARDNER. This is your letter to the Navy pay officer at San Francisco?

Mr. GREY. Yes, sir; for transmission to the Napy Department at Washington, that being the method of conducting correspondence between contractors and the Navy Department generally.

This is the paragraph to which I refer:

No one could be more desirous of filling his contract with the Government than myself, both from a sense of pride as well as duty, but in the face of such obstacles as have presented themselves to me in this matter it raises a doubt in my mind as to whether a contractor may justly be held liable for his contract when the material to be furnished is under the sole control of an unscrupulous trust.

I do not know that I was quite justified in using the word "unscrupulous," Mr. Chairman, but that was my feeling at the time.

If this circumstance of my case should not provide for my release from this obligation unless with the alternative of my being held as in default, I reluctantly ask that purchase shall be made of the boiler tubes for my account. On the other hand, if it shall appear, as I have stated, that the Shelby Steel Tube Co. is exercising an unlawful monopoly, the extent of which amounts to that of a conspiracy to restrain competition, or has otherwise prevented my furnishing the tubes called for, in such event I would respectfully ask, as an act of grace and clemency of the Navy Department, that I may be released from the contract without detriment.

Very respectfully, RICHARD H. GREY.

I presume I have made it clear to you that I had now furnished, within the time of delivery and satisfactorily in every respect, to the Government all the items of this contract with the exception of these two items of boiler tubes.

The CHAIRMAN. What action did they take? What recommendation was made by the department after you had explained your inability to secure these tubes at any price?

Mr. GREY. On November 17, 1906, 17 days subsequent to the date of my letter, through the San Francisco Navy pay office, an answer was received, a copy of which I have before me, not to me, but to the Navy pay office, as a result of this correspondence.

Mr. GARDNER. And from whom?

Mr. GREY. From the Paymaster General, E. B. Rogers, at that time in charge of the Bureau of Supplies and Accounts in this city.

Mr. GARDNER. What is the date of this letter from Admiral Rogers?

Mr. GREY. It is a telegram, dated November 17, 1906. It is addressed to the Navy pay office, San Francisco, and is known for identification as No. 92339. It says:

Please wire recommendation whether or not Richard H. Grey be released from his contract under Steam Engineering requisition 6 and purchase made not for his account.

Respectfully,

E. B. ROGERS,
Paymaster General, United States Navy.

It says here in the corner:

Confirming telegram.

Mr. GARDNER. That is the mail copy of the telegram, transmitted in confirmation of the telegram?

Mr. GREY. It is the confirmation of the telegram.

Mr. GARDNER. Would you mind reading that again?

Mr. GREY. It is addressed to the Navy pay office:

Please wire recommendation whether or not Richard H. Grey be released from his contract under steam engineering requisition 6, and purchase made not for his account.

Mr. GARDNER. That I did not get the meaning of—

And purchase made not for his account.

Mr. YOUNG. That would relieve you of the loss of the $1,100, if that was done?

Mr. GREY. That would be the case.

Mr. GARDNER. It was an inquiry whether he would recommend that the Navy Department purchase outright, without charging it to you. Is that it?

Mr. GREY. Yes.

May I interject at this moment that I have overlooked one important feature of this contract, which is this?—That failing to make delivery of the material contracted for under this contract, the Navy Department has the right, at its discretion, to purchase this material for my account, after I am in default, and charge me subsequently with the difference in cost of procuring that material.

The CHAIRMAN. That is, the difference between your bid and the price they pay for it?

Mr. GREY. At any price they choose to pay, and I would be compelled to stand the difference between that price and the price under my contract, if I could not deliver the material on time.

The CHAIRMAN. All right. Proceed.

Mr. GREY. The purchasing pay officer in San Francisco, at the Navy pay office, answered that telegram to the Paymaster General of the Navy Department, Washington, D. C., under date of November

20, 1906, three days after the recipt of his message from the Navy Department. May I read it?

The CHAIRMAN. Yes.

Mr. GREY (reading):

Owing to apparent combination against Grey, recommend his release from items 18 and 19, steam engineering requisition 6.

BALL.

The full name of this gentleman is R. M. T. Ball. His rank at that time was pay inspector, United States Navy.

Mr. YOUNG. Was that the end of it?

Mr. GREY. No; there are other points to follow.

The CHAIRMAN. Go ahead.

Mr. GREY. Under date of November 23, three days later again, in 1906, the bureau, or the Paymaster General, telegraphed to Pay Inspector Ball, at the Navy pay office in San Francisco, the telegram having the reference number 99176, reading as follows:

Issue new proposals for items 18 and 19, engineering requisition 6, Mare Island, tubes for *Bennington*. Open bids 30th. Wire prices, time delivery, to bureau for instructions.

E. B. ROGERS,
Paymaster General United States Navy.

Mr. GARDNER. I wish you would explain just what that means.

Mr. GREY. I take it, Mr. Gardner, that it was at this time not the desire of the Navy Department to purchase the tubes for my account; that it had, perhaps, under consideration, or it had already determined not to do so; that the circumstances which I had laid before them of my efforts to purchase these boiler tubes were considered to be a genuine effort on my part to have produced the material, over which I seemed to have no physical control.

Mr. GARDNER. But I mean, what would a man naturally infer when he saw that telegram? That they were going to let you off from those two items entirely? Would that be the natural inference to draw, or not, from that telegram?

Mr. GREY. That will appear in a moment, Mr. Gardner.

Mr. GARDNER. I did not know but that you could explain it in a word.

Mr. GREY. I would take it to be so.

Mr. GARDNER. When you saw that telegram, you said to yourself: "What they are going to do is this: They are going to let me off, and open these two tube items again."

Was that the natural assumption a man would draw from that telegram?

Mr. GREY. There was in practice, I believe, at this time a rule that when a contractor was in default he was, in general, formally advised of that, and threatened with proceedings of purchase by the Navy Department if within 10 days he did not come forward with that material.

Mr. GARDNER. And according to the receipt of that telegram, and no notification that you were in default, you were led to suppose what?

Mr. GREY. That it was favorable to my release, taken particularly in connection with the former telegram of the Paymaster General, which asked for the recommendation of the pay inspector at San Francisco.

Mr. GARDNER. That is to say, it would have been an unusual course, in your opinion, for the Navy Department to take if they did not intend to release you?

Mr. GREY. Quite so, sir.

Mr. GARDNER. I say, in your opinion. I know nothing about the question myself. I do not want to get anything except your opinion as to whether it would be an unusual course.

Mr. GREY. From my remembrance of any precedent of that kind; yes.

Up to this point, Mr. Chairman, I was not able to say positively whether I was released or whether I was not released, but it appears that on opening these bids on the 30th of November by direction of the Paymaster General there was only one bid received in San Francisco, although bids had been invited generally from dealers in that city, exclusive of myself.

Mr. GARDNER. Excuse me, but when you say bids were invited, do you mean by special invitation to each dealer or by general notice in the post office or somewhere else?

Mr. GREY. I mean by direct mailing of the proposals to each dealer in the city, in order that they may know, as well as by notices posted on the bulletin board, that these bids are to be opened.

Mr. BEALL. I think it would be well for the provision of law relating to invitation for bids to go into the record just at this place, Mr. Grey.

Mr. GREY. I shall be glad to do that, but I have not a copy of the provision of law directly at hand.

Mr. BEALL. I suppose this statement of it is correct, on page 9 of this typewritten brief, which was handed to me by the chairman.

Mr. REED. What page is that, Mr. Beall?

Mr. BEALL. Page 9 of this typewritten brief, right at the bottom of the page.

Mr. GARDNER. That is the law of June 14, 1878?

Mr. BEALL. Yes. It reads:

MATERIALS FOR STEAM BOILERS FOR THE NAVY.

That on and after the passage of this act the Secretary of the Navy be, and he is hereby, authorized to purchase at the lowest market price such plate iron and other material as may enter into the construction of steam boilers for the Navy without advertising for bids to furnish the same: *Provided*, That he shall cause to be sent to the principal dealers and manufacturers of iron and such other materials as may be required specifications of the quality, description, and character of such iron and materials so required: *And provided further*, That such plate iron and materials shall be subjected to the same tests and inspection as now provided for and which inspection and tests shall be made publicly and in presence of such bidders or their authorized agents as may choose to attend at the making thereof.

The CHAIRMAN. You say there was but one bidder?

Mr. GREY. That seems to be the case from a telegram which is forwarded to the Paymaster General of the Navy Department, Washington, D. C., by the then presiding officer in the Navy pay office at San Francisco.

The CHAIRMAN. Who was that bidder?

Mr. GREY. The Shelby Steel Tube Co.

Mr. GARDNER. The Shelby Steel Tube Co. was the new single bidder?

Mr. GREY. Yes, sir.

Mr. YOUNG. That was the only bid received the second time?

Mr. GREY. Yes. [Reading:]

Only one bid received, items 18 and 19, engineering 6, Shelby Steel Tube Co., Pittsburgh, $5,498; shipment hundred fifty days.

BALL.

The CHAIRMAN. How did that price compare with the previous price that they had bid?

Mr. GREY. It was the same in every respect.

Mr. YOUNG. You gave the total in this case, and you gave it per tube before?

Mr. GREY. The total, $5,498, seems to have been their bid in Washington at the first invitation, and their bid in San Francisco at the second invitation, excepting that the item of delivery was somewhat extended in this latter case, was the same.

Mr. DANFORTH. What was the time of delivery in the first offer that they made, if you know?

Mr. GREY. Sixty days, Mr. Danforth.

Mr. DANFORTH. That was in their bid?

Mr. GREY. Originally; yes.

Mr. GARDNER. I take it that in those first bids, except in the case of the man who specified 90 days, every bid was supposed to be for delivery in 60 days?

Mr. GREY. Yes; in order to be formal, that is required.

Mr. GARDNER. Was it in the specifications?

Mr. GREY. Yes, sir. The price was taken in connection with the time of delivery.

In answer to that advice of the Navy pay office in San Francisco to the Paymaster General in Washington, this was the telegram which was subsequently received, dated December 14, 1906, confirming telegram:

The bureau hereby confirms its telegram of even date, as follows:

NAVY PAY OFFICE, *San Francisco, Cal.*

Engineering 6 items 18 and 19, tubes *Bennington*, award bids Shelby Steel Tube Co. in accordance with your wire December 1.

Respectfully,

E. B. ROGERS,
Paymaster General United States Navy.

The CHAIRMAN. To whom was that telegram sent?

Mr. GREY. To Pay Inspector Ball, purchasing pay officer in charge Navy pay office, who was previously directed to refer all bids to the Navy Department at Washington for recommendation.

Mr. REED. And what is the date of that?

Mr. GREY. The date of this confirmation of telegram is December 14, 1906. The telegram was of the same date.

Up to this point, Mr. Chairman, it would seem that I am left in doubt as to my standing before the department. We have now reached the period of December 29, and my letter addressed to the Navy Department, laying all the circumstances before it, was of October 31, 1906, this being an interval of 59 days, in which I am left in agonizing suspense, excepting in so far as I had made inquiries at the Navy pay office in San Francisco to know whether any letter or any intimation had been received from the Navy Department through that channel by which I might know how I stood in the matter.

I was informed, to use the phraseology of the officer in charge, that I was out of it; that the contract for the tubes had been awarded to the Shelby Steel Tube Co., in consequence of which items 18 and 19, boiler tubes, had been ordered to be canceled from my contract which was on file in the general storekeeper's office at the Mare Island Navy Yard.

Mr. YOUNG. This was a verbal statement to you?

Mr. GREY. Yes, Mr. Young; just a verbal statement to me. In order to satisfy myself of the matter, I went to the Mare Island Navy Yard and visited the general storekeeper's office and asked concerning the matter. A copy of the contract was taken from the files, and across its face on the items 18 and 19 was the word "canceled" written.

From this I supposed that I was not yet in default. On December 29, 1906, however, this letter was directed to the purchasing pay officer, Navy pay office, San Francisco, by the Paymaster General, Bureau of Supplies and Accounts, Navy Department, Washington, D. C., the reference number on this letter being also 99176:

SIR: Referring to the contract of Richard H. Grey, of San Francisco, for furnishing boiler tubes and other articles called for by Steam Engineering requisition No. 6, for the navy yard, Mare Island, Cal.

In view of Mr. Grey's statement that he was unable to furnish the tubes required, an order was placed with other parties, and all of the correspondence with reference to the matter was forwarded to the Secretary of the Navy for decision as to whether or not the difference between the price named in Mr. Grey's contract and that at which the new contract was placed should be charged against the original contractor's account.

The Secretary has decided that the difference in price shall be charged to Mr. Grey, and you will please collect the difference of $1,113, and deposit same to the crdeit of appropriation "Steam machinery, 1907."

Respectfully,

E. B. ROGERS,
Paymaster General, United States Navy.

The PURCHASING PAY OFFICER,
Navy Pay Office, San Francisco, Cal.

The CHAIRMAN. Did you pay that money?

Mr. GREY. I did, Mr. Chairman, under a sort of moral protest. Nevertheless, I paid the money. I did protest to the Navy Department that it was not, in my estimation, quite fair under the circumstances.

The CHAIRMAN. When you made this offer to furnish boiler tubes to the Government, did you make any effort to ascertain about what they were worth, and did the Navy Department make any estimate as to about what they did pay, or what was the fair price for them at the time this first bid was made?

Mr. GREY. It is the practice of the Navy Department, as I understand, to previously inquire the cost of this material for the purpose of making an appropriation from the fund which is avaliable for these purposes, and they have, at times in the past, even made those inquiries from me, as a dealer, as to what price I could name as an estimated cost of various materials which they were intending to purchase.

Mr. GARDNER. That is, they asked your advice, not as to what you would charge yourself, but so as to get a general idea of the market value of the articles for which bids were desired?

Mr. GREY. They asked quotations, not necessarily binding, but within which you are expected to bid.

Mr. GARDNER. As an indication of the market value?

Mr. GREY. As an indication or estimate of the cost.

I understand your question, Mr. Chairman, to be as to whether or not I made any inquiries as to the price of material at this time?

The CHAIRMAN. Yes; and whether the Navy Department made any estimate as to what the value of these articles was.

Mr. GREY. Permit me to say, at this point, that that information or estimate is not within the knowledge of the bidder generally unless he himself was the individual who had furnished that information to the Navy Department. The cost of the material, in the estimation of the Navy Department, or in the estimation of the individual who might have furnished that information to the Navy Department, I know not. But I do know this: That the price which I inserted against those items 18 and 19 in that bid—$2 per tube and $3.50 per tube, respectively—was a fair price—a liberal price—affording me a good margin of profit, based, as it was, on my knowledge of the cost of that material in the past and the fluctuations of the market up to the period when I filed my bid.

Mr. GARDNER. Did not a third party estimate still higher than the Shelby Steel Tube Co.?

Mr. GREY. Yes; they bid a higher figure.

Mr. GARDNER. For 90 days' delivery?

Mr. GREY. Yes, sir; it was higher. Shall I read that?

Mr. GARDNER. You have already read it. I asked simply if my memory was correct in that regard.

Mr. GREY. There was a higher bidder than either myself or the Shelby Steel Tube Co.; yes.

Mr. YOUNG. On these tubes?

Mr. GREY. Yes.

Mr. GARDNER. Who was that?

Mr. GREY. The Pacific Hardware & Steel Co.

Mr. GARDNER. What are they? Are they manufacturers or dealers?

Mr. GREY. They are dealers in San Francisco.

Mr. GARDNER. With the same and no other sources of supply that you had?

Mr. GREY. None other that I am aware of. I believe my credit, although somewhat smaller than theirs, is relatively as good.

The CHAIRMAN. Have you since ascertained what the department estimated would be a fair price to pay for those tubes?

Mr. GREY. I have learned that information, through information furnished by the Secretary of the Navy, only as a total sum of what their estimated cost might have been in this case. That estimation, as I am informed, was $3,895.

The CHAIRMAN. That is for the tubes?

Mr. GREY. For the two items of tubes together.

The CHAIRMAN. What was your estimate?

Mr. GREY. My bid was $4,385.

Mr. GARDNER. You say that information was furnished by the Secretary of the Navy as the total estimated value of the tubes?

Mr. GREY. Yes.

The CHAIRMAN. I will say that that information was furnished at my request.

Mr. GARDNER. The Secretary of the Navy furnished it to you?

The CHAIRMAN. Yes. That was their estimate as to what the tubes ought to be worth at that time.

Mr. Grey, have you continued bidding, notwithstanding these discouragements, since that time for Navy contracts?

Mr. GREY. I am not dead yet, Mr. Chairman. I exercise the right to continue in that business in which I have been for so long a time, and I hope to die in that business, notwithstanding all the discouragements which I find from time to time in these matters.

The CHAIRMAN. Have you made any other bids?

Mr. GREY. Frequently. Constantly.

The CHAIRMAN. Is there any difference between your bids and those of the United States Steel Corporation?

Mr. GREY. Sometimes they are higher and sometimes they are lower.

The CHAIRMAN. Tell us some of the instances in which they are higher and some of the instances in which they are lower. Tell us about that matter.

Mr. GREY. As to the instances in which my bids have been higher, necessarily the contracts have not been awarded to me, and therefore I am unable to speak of those without some preparation. But in the cases where the Shelby Steel Tube Co. has bid lower, it has been to my interest to take memoranda of those occasions for future reference and for future guide.

Permit me to call attention to one bid of that kind.

Mr. BEALL. Do you mean where the bids of the Shelby Steel Tube Co. have been lower than yours, or where yours have been lower than the Shelby Steel Tube Co.?

Mr. GREY. I speak of those where the Shelby Steel Tube Co.'s bids have been lower than mine.

Mr. GARDNER. You say you can not give any information on those bids where they have been higher than yours?

Mr. GREY. Not without access to my invoices.

Mr. GARDNER. I think Mr. Beall is right, and that you made a slip of the tongue in the first instance. I think your first statement was that you could not give information in the cases where the Shelby Steel Tube Co.'s bids were lower than yours, inasmuch as you did not get the contract.

The CHAIRMAN. You mean you only know in cases where you get the contract?

Mr. GREY. I think I am perhaps confused, reversing the circumstances.

Mr. GARDNER. Let us start it all over again.

Mr. GREY. I mean to say that, in cases where the Shelby Steel Tube Co.'s bids have been lower than mine, I can give you one illustration of that kind; but where I may have bid lower than the Shelby Steel Tube Co. I have no preparation made to give you any figures of that kind.

Mr. GARDNER. And yet you got the contract?

Mr. GREY. Yes; I had those contracts, filled them, and forgot them.

The CHAIRMAN. Do you not mean that it is only where you put in the lowest bid that you got the contract?

Mr. GREY. Yes.

The CHAIRMAN. And it is only in cases where you got the contract that you can speak accurately? Is not that true?

Mr. GREY. No; that is not the case, Mr. Chairman. I can speak from facts and figures if I have my records in San Francisco; but I mean to say this: That I have not come here prepared to say what was the Shelby Steel Tube Co.'s bid in a number of cases where I have been awarded the contract at lower prices than theirs. I have here only two illustrations to show what have been the relative prices between me and them where their bids have been lower than mine.

The CHAIRMAN. All right. Let us have those figures.

Mr. GREY. In the latter part of October, 1911, there was required for the repairs of the torpedo boats at the Mare Island Navy Yard a large quantity of boiler tubes of the character which is supplied to the Navy Department.

Mr. YOUNG. These are seamless tubes?

Mr. GREY. These are seamless, cold-drawn tubes.

Mr. REED. Of what size?

Mr. GREY. One and one-eighth inches and 1¼ inches outside diameter by what is known as No. 11 Birmingham wire-gauge thickness.

Permit me to make one remark which I have forgotten also—that the Navy Department's practice of requiring boiler tubes to be furnished to specifications of their own is that they sometimes require the boiler tubes to be thicker than those which are usually carried of the same dimensions in the course of ordinary construction. So that these No. 11 Birmingham wire-gauge tubes are somewhat thicker than those which would ordinarily correspond to those outside dimensions in commercial usage.

Bids were invited on those specifications for boiler tubes on or about October 31, 1911. The total of my bid at that time was $11,062.30; the Berger-Carter Co., San Francisco, likewise dealers in San Francisco, $11,110.45; the United States Steel Products Co., San Francisco, $8,867.70, the time of delivery in each case being required to be 60 days.

The CHAIRMAN. When was that contract awarded?

Mr. GREY. That contract was awarded to the United States Steel Products Co. about two or three weeks later, after it had been referred to the Mare Island Navy Yard for consideration.

The CHAIRMAN. What was the date of the award? Was that in any wise lately?

Mr. GREY. This transaction of which I speak, Mr. Chairman, was in the latter part of October, 1911. It sometimes happens that the awards are not made on the spot; that they are referred to some source for recommendation before the award is made. I understand that this award was delayed for two or three weeks, but finally was made to the United States Steel Products Co.

The CHAIRMAN. Has there been any reduction in the price of tubes lately?

Mr. GREY. This transaction would show that there had been a reduction of about 25 per cent at this period.

Mr. GARDNER. You mean 25 per cent——

Mr. GREY. Twenty-five per cent less.

Mr. GARDNER. Twenty-five per cent less than what? Less than they bid in 1906?

Mr. GREY. Less than any price of which I have any recollection previous to this time.

Mr. GARDNER. That is, for tubes of the same specifications?

Mr. GREY. Exactly the same.

The CHAIRMAN. If they have a practical monopoly of this business, how do you account for this drop in price of 25 per cent?

Mr. REED. Does the chairman ask for the opinion of the witness as to the motives of the Steel Products Co.?

The CHAIRMAN. I want to know what conditions have produced it?

Mr. GREY. If you wish my personal opinion, I could, perhaps, repeat what the president of the United States Steel Corporation said yesterday, that there had been a reduction in price due to the investigations of this committee.

Mr. YOUNG. I did not hear Mr. Farrell state that.

The CHAIRMAN. That was what Mr. Reed said, that you are referring to, I suppose.

Mr. REED. I do not remember having made any such statement. I am sure I did not hear Mr. Farrell make any such statement.

Mr. GARDNER. I rather think the statement referred to was one made by Mr. Reed that, in consequence of recent action in Washington, referring to the Government's bill in equity against the Steel Corporation, there had been a jar to the system of cooperation which had been referred to during the course of the examination of Mr. Farrell.

The CHAIRMAN. Yes; that was it.

Mr. REED. That was, in substance, what I said to Mr. Beall yesterday.

Mr. BEALL. And in regard to a demoralization in prices, was it not?

Mr. REED. I called attention to the fact that there had been general demoralization in steel prices since last May.

Mr. GREY. Perhaps I misunderstood the matter.

The CHAIRMAN. You probably mistook Mr. Reed for the president of the Steel Corporation. He looks as if he might be, and I hope he will be some day. [Laughter.]

Mr. REED. I hope I never shall be, Mr. Chairman. [Laughter.]

Mr. GARDNER. I think it would be better, Mr. Grey, for you to answer in your own words and not refer to the language of somebody else, whoever he may be.

Mr. GREY. I can account in no way for the 25 per cent reduction at this time in the price of boiler tubes.

Mr. YOUNG. I presume that the remark made by Mr. Reed the other day was more or less in the nature of a joke.

Mr. REED. I would not undertake to be humorous with the committee, Mr. Young.

The CHAIRMAN. Have you any contracts, prior to that time, where their bid was lower than that of your competitors? If you have, let us have them.

Mr. GREY. I have no contracts here which appear to be lower.

The CHAIRMAN. If you remember about any such instances, tell us about them.

Mr. GREY. I have continuously been able to supply boiler tubes, however, to the Government and to other consumers at prices that were fair, but somewhat less than those which prevail for boiler tubes of the type which is generally manufactured by the Shelby Tube Co.

Mr. BEALL. Where would you get that supply?

Mr. GREY. Mr. Beall, I had in many cases to go a roundabout way to get them, but I believe that they came from the mills of the Shelby Steel Tube Co.

Mr. GARDNER. Is nobody else making seamless tubes now?

Mr. GREY. It has been brought to my attention as recently as yesterday that I have a new source of supply in seamless steel tubes of this character.

Mr. GARDNER. How about the Detroit company?

Mr. GREY. The Detroit company has not only declined to quote me on two previous occasions, but has betrayed my confidence by forwarding my correspondence to the Shelby Steel Tube Co. after I requested that it should not be done, and I have no desire to trade with them any more.

Mr. BEALL. Are they a manufacturing company?

Mr. GREY. I so understand. I have bought those tubes from them, and I believe they manufacture them, but I do not find them mentioned in this pamphlet.

Mr. YOUNG. I understood you to say earlier in your examination, Mr. Grey, that there were other concerns besides the Shelby Steel Tube Co. that made seamless tubes, but they were not of quite so high a grade. Did I understand you correctly?

Mr. GREY. I do not remember saying that, Mr. Young.

Mr. YOUNG. Is it so?

Mr. GREY. There are two types, generally, of boiler tubes, one known as lap welded and the other as seamless.

Mr. YOUNG. I am speaking entirely of seamless tubes.

Mr. GREY. There are practically no other manufacturers at this time than two within my knowledge.

Mr. YOUNG. Is there any difference in quality between the tubes manufactured by these two?

Mr. GREY. None whatever. They are in all respects the same.

Mr. YOUNG. Let me see if I understand this transaction reduced to its lowest terms: In the first place, you entered into a contract with the Navy Department to furnish them certain material for an agreed price. That is correct, is it not?

Mr. GREY. Yes.

Mr. YOUNG. You did not have this material in your possession? You did not own it? But you relied on your ability to go into the market and buy it and fill your contract with the Government?

Mr. GREY. Yes, sir.

Mr. YOUNG. When you came to purchase tubes of the character described in the specifications you found that they could not be obtained at that time from the Shelby Steel Tube Co.?

Mr. GREY. Yes.

Mr. YOUNG. And they refused to sell them to you?

Mr. GREY. Yes.

Mr. YOUNG. Giving as a reason that they had bid directly on them themselves?

Mr. GRAY. Yes.

Mr. YOUNG. That is the reason, whether it was a good one or not? Then you offered them, in substance, in a telegram, to pay their price if they would sell them to you, so that you could furnish them

to the Government, asking if there were any terms on which you could agree?

Mr. GREY. Yes, Mr. Young.

Mr. YOUNG. They refused to do that, but the Government did purchase them at that price from the Shelby Steel Tube Co., and charged you up with the difference between the price they paid and the price of your bid?

Mr. GREY. Yes.

Mr. YOUNG. So the result to you was exactly the same as you expected when you wired the Shelby Steel Tube Co. if there were some terms on which you could agree?

Mr. GREY. It was financially the same.

Mr. YOUNG. And you have still been able to go on, since that time, doing business with the Navy Department, selling them goods and having orders accepted and carrying them out?

Mr. GREY. Yes.

Mr. YOUNG. Do you know whether at the time of this transaction the Shelby Steel Tube Co. was selling steel tubes of the character described in these specifications to other people than the Government at a less price?

Mr. GREY. I should say yes, Mr. Young.

Mr. YOUNG. I am asking for your knowledge, not for what you may say.

Mr. GREY. Yes.

Mr. YOUNG. To whom did they sell them, and at what price?

Mr. GREY. They sold them to the public generally.

Mr. YOUNG. I am asking, now, for your knowledge, and not for your opinion. I am asking for what you know about it. Do you know of sales made by them at that time to other people at a lower price; and if so, to whom, and what were the circumstances?

Mr. GREY. I myself have bought those tubes.

Mr. YOUNG. I am talking about this time; at this period.

Mr. GREY. At this present time?

Mr. YOUNG. No; when this contract was made.

Mr. GARDNER. At the time when you could not buy them yourself.

Mr. YOUNG. At the time when you could not buy them yourself.

Mr. GREY. Seamless steel tubes of this character were on sale at every place in the country.

Mr. YOUNG. Why could you not get them if they were?

Mr. GREY. Because these tubes, according to this specification, must be made under the official eye of the inspector appointed by the Navy Department, who must first put his approval and stamp upon them before they can be shipped away from the plant.

Mr. YOUNG. Then the conditions under which those tubes were to be made were different from the conditions under which tubes were made ordinarily, were they?

Mr. GREY. Yes.

Mr. YOUNG. They had to meet these Government specifications?

Mr. GREY. Yes.

Mr. YOUNG. So, then, if tubes were sold to other people, were they of the same standard and character and made according to the same specifications as these tubes were made?

Mr. GREY. Excepting as to thickness.

Mr. YOUNG. I still have not got any answer to my question, as to whether you know of any instances in which the Shelby Steel Tube Co., at or about the time of this contract, sold to any other persons, individuals, corporations, or anybody, tubes of the same character as these described in your contract for a lower price than they asked the Government.

Mr. GREY. Excepting for the incident of inspection; yes.

Mr. YOUNG. That does not quite answer my question, but we will take that.

I take it that you do not know of their selling those under exactly the same circumstances because they were not inspected in the same way. They had to pass a certain inspection for the Government. But to whom did they sell those tubes about this time at a lower price, of the character that you have described, and at what price?

Mr. GREY. To the public generally.

Mr. YOUNG. I am asking for some specific sale. You say to the public generally. That is evidently a matter of opinion and belief. I am asking for your knowledge now.

Mr. GREY. From my own ability to buy those tubes whenever I wanted them.

Mr. YOUNG. Did you buy them at that time?

Mr. GREY. Yes.

Mr. YOUNG. When and from whom?

Mr. GREY. From Joseph T. Ryerson & Son.

Mr. YOUNG. When was that done?

Mr. GREY. About this time, 1906.

Mr. YOUNG. 1906, if I recollect, was a time when there were a good many changes in the price of most steel products; and I want to get the date as clearly as I can.

You must see what I want to get at, Mr. Grey: Whether this company made a special price to the Government higher than they did to anybody else, which you think was done for the purpose of beating you out of this contract. I want to know whether, at that time, they were charging the Government an entirely different price from what they charged to other people for similar products at that time.

Mr. REED. Of the same quality and thickness?

Mr. YOUNG. Yes; of the same quality and thickness.

Mr. GREY. Yes.

Mr. YOUNG. Tell me to whom, and what the transaction was, and when it occurred.

Mr. GREY. Mr. Young, I find on sale in San Francisco, in Chicago, in the East, in various large cities in the East, what is known as the commercial standard seamless steel tube, which can be bought at a much lower price than has ever been charged, within my recollection, for the same tubes.

Mr. GARDNER. Is one standard and the other not standard? You said "standard."

Mr. GREY. I spoke of standard thickness.

Mr. GARDNER. Yes. Are the specifications of the Government standard or not standard?

Mr. GREY. They are the same as the commercial standard, with so slight a variation that it is not worth while talking about.

Mr. YOUNG. But they have to be made specially, do they not?

Mr. GREY. They have to be inspected and made specially.

Mr. YOUNG. You say they are of different thicknesses?

Mr. GREY. Yes.

Mr. YOUNG. And they require different adjustments of the machinery, of course, to make them of different thicknesses.

Mr. GREY. Yes.

Mr. YOUNG. So, as a matter of fact, if I understand you now, the Government is the only customer for exactly this kind of a tube?

Mr. GREY. Yes, sir.

Mr. YOUNG. I think I understand now.

The CHAIRMAN. For that reason was it possible, no matter how circuitous your route, to get these tubes upon which the Shelby Steel Tube Co. has made a bid, without their knowing that they were intended for the *Bennington*, and that they were ultimately destined for you?

Mr. GREY. Yes; it was possible for them to know. That fact could not be hidden from them, for the reason that they were to be manufactured under the official eye of the inspector, who was to be sent from the Navy Department to their works, and give his instructions for the tubes to be identical with the provisions of this contract; identical with the specifications.

The CHAIRMAN. Outside of the incident of the inspector being there to see them when they came from the mill, as is the case in inspecting a steel rail, the character of the steel and the thickness, and the cost of manufacture were practically that of a similar commercial tube of a similar kind?

Mr. REED. If the witness knows the details of manufacture.

Mr. GREY. As a dealer, I say yes.

The CHAIRMAN. You spoke to me, I believe, of one contract that you got shortly after this, with the Government, where there was quite a difference between your price and that of the Shelby Steel Tube Co.—$4,000 or $5,000. I think you have that contract here, if I remember.

Mr. GARDNER. Are you going on to another contract, now, Mr. Chairman?

The CHAIRMAN. Yes. I will defer it, if you wish to go on with further questions in this immediate connection.

Mr. GARDNER. I have quite a number of questions that I desire to ask Mr. Grey in connection with his examination so far.

The CHAIRMAN. This is the only question that I care to ask him, and then I will turn him over to you, if it is agreeable to you.

Mr. GARDNER. All right.

The CHAIRMAN. Do you remember the contract to which I refer, Mr. Grey?

Mr. GREY. Yes; I remember to what you refer, Mr. Chairman.

That contract was an exact duplicate of items 18 and 19 of this former contract; a duplicate as to size, thickness, character, dimensions, in every way, with the exception that the contract of 1904 was for a slightly increased quantity of tubes, known as "spares." I can refer to the prices of the Shelby Steel Tube Co. on that date on that contract to the Government which was awarded to them. The award was known as "Requisition 44, steam engineering," opening in the Navy Department—I do not know in what city—toward the end of 1903.

The CHAIRMAN. What was the price paid, if you know?

Mr. GREY. The price at which the Shelby Steel Tube Co. at that time contracted to furnish the Mare Island Navy Yard with similar tubes to those I have stated in this contract on which I had defaulted was, on 2¼-inch No. 9 Birmingham wire gauge, 7 feet 2 inches long, $1.58 per tube, and on stay tubes 2¼ inches outside diameter, No. 6 Birmingham wire gauge, 7 feet 2 inches long, $3.05 per tube, respectively.

The CHAIRMAN. I am referring to a contract—I can not recall the name of it—in which your bid was about $5,000 and the bid of your next competitor was something like $13,000.

Mr. GREY. Yes.

The CHAIRMAN. What contract was that?

Mr. GREY. That was a contract on file in the Navy Department, known as "8773, Class 21, requisition No. 554, N. S. F.," for Mare Island for the collier *Promethius*.

The CHAIRMAN. That is the contract to which I refer. What was your bid there?

Mr. GREY. My bid at that time, on a specification of which I have no details, for furnishing seamless steel tubes to the Mare Island Navy Yard, was $5,100.

The CHAIRMAN. What was the other bid?

Mr. GREY. I have not the exact figures, Mr. Chairman, but I have the round figures, made by the Shelby Steel Tube Co., or perhaps the United Steel Tube Co., to the Mare Island Navy Yard on the specifications by way of estimated cost at the time this proposal was opened. They did not bid as they were expected to do.

The CHAIRMAN. What was their estimate?

Mr. GREY. The estimated price at that time was about $13,000.

Mr. BEALL. What was the date of that?

Mr. GREY. The date of the opening, Mr. Beall, was March 31, 1908.

Mr. YOUNG. Did you get that contract?

Mr. GREY. Yes.

Mr. YOUNG. And fulfilled it?

Mr. GREY. Yes.

The CHAIRMAN. Did you make a fair profit on it?

Mr. GREY. Do you wish to know how much I made on it?

The CHAIRMAN. You may state it.

Mr. GREY. A thousand dollars.

The CHAIRMAN. That is all that I care to ask at this time, Mr. Gardner.

Just one more question, Mr. Grey. You and the Shelby Steel Tube Co. were the only bidders for that contract?

Mr. REED. He has just stated, Mr. Chairman, that they did not bid at all.

The CHAIRMAN. I mean you were the only parties involved. Were there any other parties seeking that contract except you and the Shelby Steel Tube Co.?

Mr. YOUNG. It does not appear that the Shelby Steel Tube Co. was seeking the contract, as I understand it.

Mr. REED. They did not make a bid.

Mr. GREY. They made no bid, but they were requested, at a former period, for the purpose of this purchase, to furnish an estimate of

the cost; and that is the sum that I referred to—the estimated cost of about $13,000.

The CHAIRMAN. That is all.

Mr. GARDNER. Have we in evidence the statistical reports of the American Iron and Steel Associations?

Mr. REED. I do not remember that they were introduced.

Mr. YOUNG. They were never put in evidence.

Mr. GARDNER. Do the reports show the proportion of steel tubes manufactured in 1906 by the Shelby Steel Tube Co.?

Mr. DANFORTH. No; by the United States Steel Corporation and the outsiders.

Mr. GARDNER. And by the outsiders?

Mr. DANFORTH. Yes.

Mr. GARDNER. Where can I find that material?

Mr. DANFORTH. Herbert Knox Smith has given that in his report.

Mr. GARDNER. What page?

Mr. DANFORTH. Page 365.

Mr. GARDNER. Oh, yes; I see. According to the report of Mr. Herbert Knox Smith, in 1906 the United States Steel Corporation made two-thirds of the seamless tubes made in this country and other corporations made one-third.

You testified that in a recent contract, in October, 1911, you had bid $11,000 on something or other and the Shelby Steel Tube Co. had bid $8,000.

Mr. GREY. Yes.

Mr. GARDNER. Did you ever endeavor to ascertain from the Navy Department what their estimate was of the probable cost of those tubes?

Mr. GREY. No, sir; I would not be furnished that information, ordinarily. I think that information would be denied me if I had made such a request.

Mr. GARDNER. Did you make a request that he should get that estimate in the case of the tubes where you underbid the other people?

Mr. GREY. I asked Mr. Stanley if he would do it, in order to confirm me, as to whether my price was reasonable in 1906.

Mr. GARDNER. Therefore you do not know whether the Navy Department is getting these tubes much cheaper than they expected? You only know that they got the tubes under the contract on which you defaulted at a much higher price than they expected? You know that the Navy Department ultimately paid much higher than they expected in 1906?

Mr. GREY. Yes, sir; I do know that.

Mr. GARDNER. But you have not ascertained whether they are now paying a much lower price than they expected to pay in 1911?

Mr. GREY. Judging by my own bid, I should say they are purchasing tubes now at a 25 per cent reduction in cost.

Mr. GARDNER. That is very evident. But this is the point I want to get at:

The material point of showing that the Navy Department expected to pay less in 1906 than they actually had to pay was to show an unreasonableness in the figure of the Shelby Steel Tube Co., was it not?

Mr. GREY. Yes; it would have shown that.

Mr. GARDNER. If, on the other hand, it could be shown that Mr. Meyer expected to pay a great deal more in 1911 than the Shelby

Steel Tube Co.'s bid turned out to be, then that would be evidence carrying out your line of thought that the Shelby Steel Tube Co. was now behaving with extreme liberality? If you are to gauge the reasonableness or unreasonableness of a bid on the expectations of the Navy Department, it would be equally good evidence that the present bid of the Shelby Steel Tube Co. was unreasonably low, if the Navy Department had expected to pay $11,000, we will say, instead of $8,000?

Mr. GREY. Yes, sir.

Mr. GARDNER. But you have not ascertained whether that is so or not?

Mr. GREY. I have not ascertained.

Mr. GARDNER. I suggest, Mr. Chairman, that it is a material point to find out what the Navy Department expected to pay for these tubes in 1911.

The CHAIRMAN. I will ask Mr. Grey to frame a question in technical language, in order to get it. My purpose in ascertaining this information was to discover whether this inability of Mr. Grey to secure these tubes was owing to a miscalculation or bad judgment on his part as to what was the fair market value of the tubes at the time he made this bid, or whether it was due to an unwillingness to sell to him at a fair price.

Mr. GARDNER. Yes. You have made the test of that unreasonableness of the views of the Secretary of the Navy at the time as to what was a fair market price. Now, if we find the views of the Secretary of the Navy at this time as to what is a fair market price far exceed the price actually bid by the Shelby Steel Tube Co. it would seem to be fair evidence that that was not the sole way to arrive at the question of what was or was not a fair market price.

Evidently their bid this year surprised you, Mr. Grey. You evidently thought that you were bidding a fair market price.

Mr. GREY. Yes, sir; I was.

Mr. GARDNER. But, apparently, there was somebody who was willing to sell these tubes a good deal cheaper?

Mr. GREY. Yes.

Mr. GARDNER. Since this time when you had your trouble, in 1906, you have not been disqualified from bidding for supplies for the Navy Department?

Mr. GREY. No, sir.

Mr. GARDNER. Have you been in bad standing before the department?

Mr. GREY. No, sir.

Mr. GARDNER. You have sometimes got contracts, and sometimes you have not got contracts, like everybody else?

Mr. GREY. Yes, sir.

Mr. GARDNER. And sometimes you have taken contracts away from the Shelby Steel Tube Co. and sometimes they have taken contracts away from you?

Mr. GREY. Yes, sir.

Mr. GARDNER. If the Shelby Steel Tube Co. had entered into a conspiracy in 1906—a conspiracy which was successful—why should not they have pursued the same policy since 1906?

Mr. GREY. They were free to do so.

Mr. GARDNER. But they did not do so?

Mr. GREY. They have never defeated me in my purpose to furnish the Government with anything I undertook to furnish, before or since.

Mr. GARDNER. These tubes that you have been getting since 1906, that you sold to the Government, were made by whom?

Mr. GREY. I shall be obliged to betray the name of what I believe to be a competitor of the United States Steel Corporation at this time.

Mr. GARDNER. You need not betray it. You may merely say "a competitor of the United States Steel Corporation."

Mr. GREY. A competitor of the United States Steel Corporation.

Mr. GARDNER. Obviously, it is easily a matter of record, because, if I understand correctly, the inspector of the Government goes to the shops and sees the tubes actually made?

Mr. GREY. Yes, sir.

Mr. GARDNER. And therefore there is no secret as to who made those tubes, because the Navy Department inspectors know whether they went to the Shelby Steel Tube Co. or some other steel company?

Mr. GREY. Yes, sir.

Mr. GARDNER. But, as a matter of fact, you have since 1906 been getting your tubes from competitors of the United States Steel Corporation?

Mr. GREY. I believe they are not connected with the corporation.

Mr. GARDNER. If you put it that way, I shall have to ask you the names.

Mr. GREY. I would have no objection to furnishing the names to the officers of the Government, but in the presence of gentlemen representing the United States Steel Corporation I think it would be hardly fair to myself to tell them where I am getting my tubes.

Mr. GARDNER. I will not press the question. You say you believe they are not connected with the United States Steel Corporation. Do you know, or do you not know, whether they are or are not connected with the corporation?

Mr. GREY. If you will allow me to answer that question in my own language?

Mr. GARDNER. I should much prefer to have you do so.

Mr. GREY. It is very hard to tell a black cat, now, when you see one. I mean no disrespect, sir.

Mr. GARDNER. That is perfectly true; but most of us get a pretty good idea whether it is nearly white or nearly black. I will admit there are some on the line. Is that cat nearly white? And by "white" I mean disconnected with the Steel Corporation, and by "black" connected with the Steel Corporation—apologizing to Mr. Reed for placing the lights and shades in that way.

Mr. REED. It is quite unnecessary to apologize for that, Mr. Gardner. The witness puts the color into that illustration.

Mr. YOUNG. The witness stated that there are only two concerns that make this kind of tubes. I do not think it can be very much of a secret.

Mr. GARDNER. But I think he is incorrect in that.

Mr. GREY. Will you allow me to put a hypothetical proposition to you, Mr. Gardner?

Mr. GARDNER. I suppose so.

Mr. GREY. If on January 15, 1912, only two weeks ago or less, you had sent a telegram of 135 words covering a specification of boiler

tubes for the Mare Island Navy Yard to be opened in San Francisco on January 22, and in that telegram you had embodied all the specifications and the requirements of the tubes to be furnished, and you had asked a price, and the answer to that telegram came to you, giving you a price; and at the opening of the bid the party making you that price made a price $1 lower in total than you made. Supposing that the total value represented was about $15,000; would you conclude that he was a black cat or a white cat?

Mr. GARDNER. I should conclude that somebody had coloring in his fur, whether it was through complicity in the Navy Department or the Western Union Telegraph Co.'s office at one end or another, or whether it was on the part of the bidder. I should conclude that it might be a coincidence, but that probably I should look for color in the fur.

Mr. GREY. That is the situation to-day, Mr. Gardner.

Mr. GARDNER. As a mater of fact, I do not really see how we can escape from asking for the name. I do not want to press you for an answer as to the names of these people, but you have rather implied that you think they have some connection with the United States Steel Corporation.

Mr. GREY. I did not think so until yesterday; but now I do.

Mr. GARDNER. Yet, in spite of this conspiracy which you think they entered into in 1906, there apparently is no conspiracy now existing?

Mr. GREY. It was not I who said it was a conspiracy. It was the officer in the Navy pay office at San Francisco who said it was an apparent combination.

Mr. GARDNER. But you brought a somewhat ex parte statement to his attention.

I am trying to get at this thing from two points of view: One point of view is to whether there was or was not a conspiracy, whether the Shelby Steel Co. did anything improper. The other point of view is whether the Navy Department did anything improper. There are two quite distinct questions.

You said in the early part of your evidence that there were other parties making seamless tubes at that time, but that they did not care to have Government inspectors around their works. You remember that statement in your testimony?

Mr. GREY. Yes, sir.

Mr. GARDNER. Please name the concerns which did not care to have Government inspectors around their works.

Mr. GREY. The names of these concerns are somewhat hard to remember, Mr. Gardner, but there was a concern in Auburn, Pa.

Mr. GARDNER. What is its name?

Mr. GREY. I have a faint recollection of the name. I believe it was the Delaware Seamless Steel Tube Co.

Mr. GARDNER. The Delaware company? It was not the Delaware Iron Co., was it?

Mr. GREY. I do not know what connection they might have.

Mr. GARDNER. Of Newcastle, Del.?

Mr. GREY. I do not know whether they have any connection with each other.

Mr. GARDNER. Do you not remember some of these firms that did not want Government inspectors around their works?

Mr. GREY. I know from time to time that I had received correspondence, and that was the reason for not quoting me.

Mr. GARDNER. But that might very well be given as a reason. As a matter of fact, when you received in your correspondence statements that they did not want inspectors around their works did you investigate to see whether, as a matter of fact, on other contracts they had not been willing to receive inspectors around their works?

Mr. GREY. No, sir.

Mr. GARDNER. Is that generally considered objectionable—to have inspectors around the works?

Mr. GREY. Not necessarily objectionable.

Mr. GARDNER. But annoying?

Mr. GREY. A matter of extra cost.

Mr. GARDNER. Still, there were, according to your testimony, other makers of seamless tubes at that time who did not want Government inspectors around their works?

Mr. GREY. That was the reason assigned for not quoting me in many instances.

Mr. GARDNER. Yet we find that 34 per cent of the output for the United States in 1906 of seamless tubes was, as a matter of fact, made by companies not connected, as far as has appeared before the committee—as far as we can tell—with the United States Steel Corporation.

Mr. GREY. May I be allowed to read from your record here something that would seem to controvert that statement?

Mr. GARDNER. I am quoting, of course, the report of the Commissioner of Corporations.

Mr. GREY. In the report of the findings of your committee——

The CHAIRMAN. That pamphlet you have before you there is the petition of the Attorney General for the dissolution of the corporation. That is not the proceedings of this committee.

Mr. GARDNER. That is the petition of the Government, which is based principally on this report of the Commissioner of Corporations.

Mr. REED. If I may interrupt for a moment, only the percentages for the year 1901——

Mr. YOUNG. I hardly think a pleading would be very much proof of anything.

Mr. REED. Newspapers have been received.

Mr. YOUNG. They have been brought in mostly for opinions.

Mr. GARDNER. You mean to controvert the statements in the report of the Commissioner of Corporations, do you not?

Mr. GREY. I mean to direct your attention to this contradiction of those statements by your committee——

Mr. GARDNER. No, no——

The CHAIRMAN. By the Attorney General.

Mr. GARDNER. This report of the Commissioner of Corporations says, in a table on page 365 of his report, under the heading "Steel Corporation's percentages of total production in the United States of pig iron and various steel products," that the percentage of the Steel Corporation in 1901 was 79.8 and that of other manufacturers 20.2.

Mr. GREY. No, sir. I find on page 26 quite a different story——

The CHAIRMAN. The man who prepared that petition of the Government was not governed by the report of the Bureau of Corporations.

Mr. GARDNER. I think those figures were taken, in every instance that I have examined, not as to certain evidence like steel-plate agreements, but as to trade reports. He took the figures from this report or the reports of the American Iron and Steel Association or Institute.

Mr. GREY. One paragraph, on page 26 here, reads:

The Shelby Steel Tube Co.: In 1907 the Shelby Steel Tube Co. was incorporated under the laws of Pennsylvania. It was a consolidation of several seamless-tube companies. The combination produced about 90 per cent of the entire output of the country.

Mr. YOUNG. That is in 1897?

Mr. GREY. Yes.

Mr. GARDNER. That is all taken from this.

Mr. GREY. And this is taken up to 1900, also.

Mr. GARDNER. But we are talking about the year 1906. In 1906 the proportions are 66.5 for the United States Steel Corporation and 35.5 for other corporations.

Mr. REED. Even the petition on page 23 shows that by 1901 the percentage had shrunk to 82.8.

Mr. GARDNER. 82.8 for the Steel Corporation and 17.2 for the others. Those figures are taken directly from this report of the Commissioner of Corporations.

Mr. GREY. There was a disposition on the part of many of those so-called independent companies to refer the question of seamless steel tubes for the Government absolutely to the Shelby Steel Tube Co.

Mr. GARDNER. That is what I am trying to get at.

Mr. GREY. Yes, sir.

Mr. GARDNER. But you tell me that that conspiracy—if you call it a conspiracy—as far as you knew and as far as your business showed, did not exist prior to 1906 and has not existed since 1906?

Mr. GREY. That is true, sir.

Mr. GARDNER. Then go on to the next question. You say you were informed by the representative of the United States Steel Products Co., or the United States Steel Corporation, or the Shelby Steel Tube Co.—I do not remember which—that the United States Steel Corporation would not sell you tubes. Who was that official who gave you that information?

Mr. GREY. That information, if you please, was given to me in the strictest confidence.

Mr. GARDNER. But you have quoted it in public, sir.

Mr. GREY. I have quoted it.

Mr. GARDNER. And the name is not nearly so confidential as the information. What was his name?

Mr. GREY. His name was Charles Woods, the former representative of the Shelby Steel Tube Co., in San Francisco.

Mr. GARDNER. And he gave you that information at that time?

Mr. GREY. I fear that I am put in a very delicate position in saying yes.

Mr. GARDNER. You put yourself in that position by quoting what he said.

Mr. GREY. I quoted his language, not his name.

Mr. GARDNER. I know; and that is much worse. It leads, inevitably, to the question Who used that language? in order to verify its value.

Mr. GREY. I said the representative of the Shelby Steel Tube Co. told me that; but I did not think it was necessary to mention his name.

Mr. GARDNER. I did not catch your words quite in that way.

It is hardly worth while to get the stenographer to turn back and see exactly what you did say. I wrote a hurried memorandum at the time.

At all events, Mr. Charles Woods gave you this information. Was Mr. Charles Woods at that time the agent of the Shelby Steel Tube Co., in San Francisco, or wherever this was?

Mr. GREY. Not at the time he gave me the information, but at the time——

Mr. GARDNER. Wait a minute.

Mr. GREY (continuing). When my relations with the Shelby Steel Tube Co. were severed direct.

Mr. GARDNER. But you said in your chronological story, that you were informed that the United States Steel Corporation would not sell you tubes. Then you went on to testify to your next step in the transaction. Did that information come to you at the time, or did it come to you subsequently?

Mr. GREY. Since Mr. Woods had left the employ if his company.

Mr. GARDNER. When did he leave the employ of his company?

Mr. GREY. Several years ago.

Mr. GARDNER. But how many years after this transaction.

Mr. GREY. Quite recently I received the information, sir.

Mr. GARDNER. I think you gave it in a chronological order very unfortunately placed in your story, unless my notes are incorrect.

Then you were not informed at the time that the United States Steel Corporation would not sell you tubes, but you have been informed, some four or five or six years later, by a person no longer in the employ of the United States Steel Corporation, that four or five or six years ago they would not sell you tubes? Is that the fact?

Mr. GREY. That is the fact.

Mr. GARDNER. Why did this Mr. Woods leave the employ of the United States Steel Corporation?

Mr. GREY. I could not say as to that.

Mr. GARDNER. Was it by his choice of their choice?

Mr. GREY. I could not say as to that. There was a change in their representative. Mr. Brooks has since represented them from that period until the present time.

Mr. GARDNER. You say you were willing to give the Shelby Steel Tube Co. a high price for their goods. Did you indicate that you would give them the same price at which they had offered to sell to the Government?

Mr. GREY. I did not submit any price which I was willing to give. There was no limit in my mind at that time as to what I would be willing to pay.

Mr. GARDNER. But you did not indicate that in any way?

Mr. GREY. Except that my language——

Mr. GARDNER. It seems very natural that the Shelby Steel Tube Co. would say to themselves: "We would rather absorb those profits than have somebodyelse absorb the profits." Whereas, if you had, in your desire to maintain your standing with the Navy Department, offered them a higher price than they had already offered to sell the tubes for to the Government, I could see very easily that that would be an indication of malovelence if they refused to sell to you.

Mr. GREY. Mr. Gardner, I am convinced, as I sit in this chair, that nothing but my default in my contract with the Navy Department was aimed at in their continuous refusal.

Mr. GARDNER. And yet it has not been aimed at since?

Mr. GREY. No, sir; not in the same way.

Mr. GARDNER. Is that such a very serious matter—a default at the Navy Department? The matter that was involved amounted only to $1,100?

Mr. GREY. $1,113.

Mr. GARDNER. In what way has your default injured you?

Mr. GREY. By my having paid the money, and——

Mr. GARDNER. It is not at all uncommon to cancel items in a bid, is it?

Mr. GREY. It is not uncommon to buy for the account of the contractor.

Mr. GARDNER. Without prejudice?

Mr. GREY. Without prejudice if he pays the difference.

Mr. GARDNER. As you did?

Mr. GREY. Yes.

Mr. GARDNER. As I understand it, you got the rest of your contracts?

Mr. GREY. Yes.

Mr. GARDNER. What worse could have happened except to have the Navy Department purchase those tubes at your expense and at a loss of $1,100 to you?

Mr. GREY. Nothing worse; provided my standing at the Navy Department was not injured.

Mr. GARDNER. And it was not?

Mr. GREY. It was not.

Mr. GARDNER. May tubes be tested and inspected after manufacture?

Mr. GREY. Not under the Navy Department specifications, unless the inspection is specifically waived at the place of manufacture in the contract.

Mr. GARDNER. Does not the Navy Department buy material and test it after it has been manufactured?

Mr. GREY. It does, sir.

Mr. GARDNER. Would it not have been possible for you to go to some of these sellers of steel tubes whom you say had these tubes for sale all over the country and if you could have found tubes that met the Navy specifications, as you say, what would have been the objection to your buying them and asking the Navy Department to test them?

Mr. GREY. Because the terms of the contract of which I speak, in 1906, required me to have them inspected at the place of manufacture.

Mr. GARDNER. Did you make any attempt to have that requirement waived? I understand it is quite often waived.

Mr. GREY. I made no such attempt. I did not think of it. I wish I had.

Mr. GARDNER. Is it not a fact that you could not have got, in the open market, tubes which would meet the specifications required by the Navy Department?

Mr. GREY. On reflection, yes. I find these tubes are 2 gauges thicker than the standard, or maybe 3 gauges thicker.

Mr. GARDNER. You see that rather conflicts with the testimony that you gave to Mr. Young, to the effect that these tubes could be bought all over the country, exactly the same thing, at a lesser market price?

Mr. GREY. Except as to thickness.

Mr. GARDNER. Apparently they are not standard and could not have been bought.

Mr. GREY. Except as to thickness.

Mr. GARDNER. But everybody knows the difference between the cost of a standard article and an article that is not standard. If I have to have a lock fitted to an old door I can not buy it. I have to have it made, and it costs me much more than a new lock.

Does not the Navy Department ever buy seamless tubes made elsewhere than by the Shelby Steel Tube Co.?

Mr. GREY. Yes. It sometimes buys the tubes of which you have just spoken, the commercial standard tubes.

Mr. GARDNER. Do they not buy tubes that originate in some other concern that is not a constituent part of the United States Steel Corporation or do they all originate with the United States Steel Corporation?

Mr. GREY. I do not know where my competitors buy their boiler tubes or whether——

Mr. GARDNER. The Navy Department must know?

Mr. GREY. Yes.

Mr. GARDNER. They can not have inspectors going to these factories without knowing to whom the factories belong, can they?

Mr. GREY. No, sir.

Mr. GARDNER. Then if it were to appear that the Navy Department previously bought tubes which their inspectors inspected in the course of production in factories not belonging to the United States Steel Corporation, you would admit that you are mistaken in saying that the Shelby Steel Tube Co. had the entire grip on the business, would you?

Mr. GREY. When those tubes are to be inspected at the place of manufacture, they seem to have the entire grip on the situation.

Mr. GARDNER. That is to say, the Navy Department, whenever it inspects the manufacture of steel tubes, always does so at the Shelby Steel Tube Co.'s plant. Is that it, or do you know anything about it?

Mr. GREY. I know about the conditions of the Navy Department business with reference to Mare Island and San Francisco, the locality in which I live and have done my business. I can not speak of the Navy Department business all over the country at the various navy yards.

Mr. GARDNER. In the first place, I want to know whether the Shelby Steel Tube Co. has this grip and did enter into a conspiracy against

you in 1906; and in the next place, whether the Navy Department did right in rejecting your statement and enforcing the forfeiture clause in that $1,100 matter. If you are correct in your evidence, then, on demand of the Secretary of the Navy, it will appear that their inspectors have never inspected—I will not say never, but say in the last 10 years; practically never, if you choose—inspected these tubes in course of manufacture at plants other than those of the United States Steel Corporation.

Mr. GREY. It might so appear, but there may have been isolated cases where it was otherwise.

Mr. GARDNER. Isolated cases would be only the exceptions to prove the rule.

Mr. GREY. Yes.

Mr. GARDNER. As a matter of fact, considering the output of the Shelby Steel Tube Co. as compared with the output of other mills who are in condition to make these United States standard tubes, you would expect to find that the Shelby Steel Tube Co. had gotten more than their proportional share of contracts, would you?

Mr. GREY. Absolutely.

Mr. GARDNER. Has that been done by the complicity of the Navy Department in rejecting the lowest bid and giving preference to the higher one, or have the Shelby Steel Tube Co. gotten these contracts because they made the lowest bids?

Mr. GREY. Because they made the lowest bids in conformity with the requirements as to time of delivery and, in every sense of the word, in conformity with the invitation for proposals.

Mr. GARDNER. Would you suggest that the Government ought to reject the bids of the Shelby Steel Tube Co. if they are the lowest?

Mr. GREY. No, sir.

Mr. GARDNER. To come to the question of the propriety or honesty of the action of the Navy Department. In the first place, I want this perfectly clear in my mind: Do you think that the Navy Department admitted the original bid of the Shelby Steel Tube Co. too late? You say it was handed in here at the Navy Department and yours was handed in at San Francisco. Is there a lurking suspicion in your mind that all was not right and straight?

Mr. GREY. None, whatever.

Mr. GARDNER. I did not gather that, but I wanted to be clear about it.

Mr. GREY. Not the slightest.

Mr. GARDNER. You say you took this matter up with your correspondent in Washington, and that he gave you certain information. Do you remember what information you said your correspondent in Washington gave you?

Mr. GREY. He gave me the price of the Shelby Steel Tube Co. for items 18 and 19 of this contract.

Mr. GARDNER. Was that the only information he gave you?

Mr. GREY. That is all I asked for.

Mr. GARDNER. Was this Mr. Patrick H. Loughran your correspondent in Washington?

Mr. GREY. No, sir; that was the United States Government Advertiser.

Mr. GARDNER. You said you had some correspondent in Washington?

Mr. GREY. That is the correspondent I have referred to—the United States Government Advertiser, Washington Post Building, this city.

Mr. GARDNER. Is he a Government official?

Mr. GREY. No, sir.

Mr. GARDNER. Who is he? What is his name?

Mr. GREY. It is the publication which seems to contain all the information about Government bids and Government proposals and their awards; a privileged publication which has access to the opening and the result of the bids all over the country.

Mr. GARDNER. Is it an official publication of some sort?

Mr. GREY. I take it that it is not. Its name might indicate it.

Mr. GARDNER. Did you pay them for that information?

Mr. GREY. Yes, sir.

Mr. GARDNER. You did pay them for that information?

Mr. GREY. Yes, sir.

Mr. GARDNER. To whom did you pay, and what was the amount? Who was the man who got the information first—what is his name?

Mr. GREY. It was gotten in the name of the publication, without any personal name, as I remember it.

Mr. GARDNER. Who was the individual who got the information, and how did he get it?

Mr. GREY. He went to the Navy Department records in the Washington Navy pay office.

Mr. GARDNER. Was that the way he got all the information with which he supplied you?

Mr. GREY. Yes, sir.

Mr. GARDNER. Why did you not address the Navy Department yourself? If he was entitled to that information, why were not you entitled to it?

Mr. GREY. I presume I would have been.

Mr. GARDNER. How much did you pay him.

Mr. GREY. $5.

Mr. GARDNER. That is reasonable. What I want to get at is whether there was a leak of some sort in the Navy Department or whether this was a perfectly open transaction.

Mr. BARTLETT. I found out in the course of a recent transaction that there are concerns here whose business it is to represent people who make bids, to keep them posted as to whether their bids arrive in time, whether they have been accepted or rejected, and so on.

Mr. GARDNER. I quite understand. I have noticed that.

Mr. BARTLETT. I suppose that is one of the kind of concerns referred to by this witness.

Mr. GARDNER. Very often it is the case that that is either a lawyer or somebody who was formerly an employee in one of the departments, and who studied law in the night school——

Mr. BARTLETT. The case I was referring to was that of a man who bid upon a mail contract, and they said other bids had been sent in and——

Mr. GARDNER. I am satisfied with the answer of the witness, as a matter of fact. I am aware, however, that there are a good many lawyers in Washington who make a specialty of these matters and get information to which the public is not entitled, owing to the fact

that they previously have been employed in these departments, and then study law in the night schools with the view of taking up this particular line of business. This is evidently not a case of that kind, and I am satisfied with the answer of the witness.

Mr. BARTLETT. I just happened to find out about the matter I was referring to in the last few days.

Mr. GARDNER. Mr. Grey, I do not remember whether you used the word "unusual," but you said that it was "informal" to bid on single items. Just what did you mean by that?

Mr. GREY. There is no restriction on the part of anyone desiring to bid which compels them to bid on all or none of the items.

Mr. GARDNER. I supposed it was one of the commonest things in the world for a man not to bid on all the items of the contract.

Mr. GREY. Sometimes.

Mr. GARDNER. What did you mean by saying that it was informal for the Shelby Steel Tube Co. to bid on just the tubes and not on the rest of the articles contained in that proposal? Did you mean that it was improper for the Navy Department to take a bid on two items only?

Mr. GREY. That it was not according to their usual practice. That is what I meant to say.

Mr. GARDNER. Elucidate that. I had supposed that, as a matter of fact, it was the practice of the departments here. Suppose a man does not care to bid on everything contained in a proposal, but they find that he will bid a very much lower price on certain constituent parts or for a certain series of items than somebody else will bid. I had supposed that where the Government advertised for a number of different articles it was customary to submit bids for any one or more of the articles. Am I incorrect in that?

Mr. GREY. You are correct. It is customary to submit partial bids and to make partial awards at the present time. At the time of which I speak, however, I believe it was the rule and regulation of the Navy Department not to accept any informal bid or, in other words, any partial bids.

Mr. GARDNER. As a matter of fact, have you looked that up to find whether in 1906—and my knowledge is scarcely more recent than 1906—the practice was as you have indicated? That surprises me very much, to say that it was not the custom of the Navy Department to receive bids on all items or on separate items. I had supposed that the practice in all of the Government departments was to receive bids on any of the items. It would seem to be bad business policy if they adopted any other plan.

Mr. GREY. As I said, there is no restriction upon a bidder offering bids upon any portion of the articles that he chooses. But it was done at the risk of his proposal being considered informal under the practice at that time.

Mr. GARDNER. Your evidence rather implied, or at least I understood it to imply, that there was some informality in the Navy Department's admitting the Shelby Steel Tube Co.'s bid. The impression left on my mind was that you thought that there was some little hugger-mugger business there.

Mr. GREY. Not in the least.

Mr. GARDNER. You absolve the Navy Department of any impropriety in the matter?

Mr. GREY. Absolutely. Not by any word or thought or innuendo did I intend anything else.

Mr. GARDNER. Did you ever go to the Navy Department, or have your representative go to the Navy Department, and get them to state in writing, either through your Congressman or Senator or anybody else, what their reasons were for insisting on your payment of this $1,100 and why it was that they did not see things in your light? Did you have any explanation of that from the Navy Department?

Mr. GREY. I have never taken any steps except those which I have taken through my attorney recently.

Mr. GARDNER. That is, Mr. Loughran?

Mr. GREY. I appealed for a refund of that money direct to the Navy Department.

Mr. GARDNER. And they have never given any reason for their action in denying your prayer?

Mr. GREY. Yes; they have.

Mr. GARDNER. What are the reasons they give?

Mr. GREY. This is a letter from Secretary of the Navy Metcalf, October 1, 1907.

Mr. YOUNG. He was a Californian, I believe.

Mr. GREY. I had interviewed him in relation to his visit to Oakland at the time.

Mr. BARTLETT. He was formerly a Congressman from California.

Mr. GARDNER. Let us hear the letter from him.

Mr. GREY. It is addressed to me in Oakland, under date of October 1, 1907.

Mr. GARDNER. It is official, however?

Mr. GREY. It is official; yes. The reference number is 23269-2.

Mr. GARDNER. And it is dated October 1, 1907?

Mr. GREY. Yes. [Reading:]

SIR: Replying to your letter of the 12th ultimo, requesting that the action of the department in charging against your account the sum of $1,113, the difference between the price named in your contract for boiler tubes on requisition No. 6, Bureau of Steam Engineering, navy yard, Mare Island, Cal., and the price paid by the department to the Shelby Steel Tube Co., by whom said tubes were furnished, you are informed that the department has carefully examined the previous correspondence in this case and finds that the Paymaster General of the Navy, in his report of January 30, 1907, stated as follows:

"It would appear that Mr. Grey gave his bid without previous consultation with any of the tube companies and based his prices upon a previous order to the Shelby Steel Tube Co. in 1903—that is, three years before the bid in question—and when he came to fill his contract he could get no firm to quote him price, and to that extent he would seem to have been careless and to be responsible for his act, though it is probably true that a bid being asked from the Shelby Steel Tube Co. by the pay office at Washington, he could secure no quotations."

I want to say right there, gentlemen, that——

Mr. GARDNER. I suggest, if we are to put this entire letter in the record, which I would rather have done, it would be better for you not to intersperse comments.

I ask, Mr. Chairman, that the entire letter be admitted in the record.

The CHAIRMAN. Very well. That will be done.

Mr. GREY. I will read that last clause again:

though it is probably true that a bid being asked from the Shelby Steel Tube Co. by the pay office at Washington, he could secure no quotations.

Mr. GARDNER. The pay officer could secure no quotations?

Mr. YOUNG. No; Mr. Grey could secure no quotations.

Mr. GREY. That I could secure no quotations, Mr. Gardner.

Mr. GARDNER. Read the paragraph again.

Mr. GREY (reading):

It would appear that Mr. Grey gave his bid without previous consultation with any of the tube companies, and based his prices upon a previous order to the Shelby Steel Tube Co., in 1903; that is, three years before the bid in question, and when he came to fill his contract, he could get no firm to quote him price, and, to that extent, he would seem to have been careless and to be responsible for his acts, though it is probably true that a bid being asked from the Shelby Steel Tube Co. by the pay office at Washington he could secure no quotations.

Mr. GARDNER. That bid being asked by the pay officer in Washington? I do not understand what that means.

Mr. GREY. This bid having been opened simultaneously in San Francisco and Washington, without my knowledge.

Mr. GARDNER. I see.

Mr. GREY. And it seems that I put my foot in it when I bid, in San Francisco, in competition with the Shelby Steel Tube Co., in Washington; and, by reason of that fact, the Secretary seems to deduce that I had put myself in a position of danger to some extent.

Mr. YOUNG. I do not think that is a fair inference from this letter at all.

Mr. GARDNER. What does it mean by saying a bid being asked of the Shelby Steel Tube Co. by the pay officer in Washington?

Mr. GREY (reading):

though it is probably true that a bid being asked from the Shelby Steel Tube Co., by the pay office at Washington, he could secure no quotations.

Mr. GARDNER. Because the pay officer could secure no quotations?

Mr. GREY. No; because I could secure no quotations, in my efforts to buy these tubes, rather than have them bought for my account.

Mr. REED. May I interject what seems to be the explanation?

Mr. GARDNER. I should be very glad to have anybody interject anything to clear the sentence up.

Mr. YOUNG. It seems to me it is perfectly obvious what that means. It now appears for the first time that the Navy Department had actually asked the Shelby Steel Tube Co. to bid, just as they had asked him to bid; not that they had made an application to them in a general publication, but an application to them to bid; and that having bid it is probably true, the Secretary says, that they would not give a figure to Mr. Grey. That is what he means to say, I think.

Mr. GARDNER. Is that the understanding?

Mr. GREY. That is the situation.

I continue to read from the letter:

I find on further examination that on July 25, 1906, the pay office in this city did secure a bid from the Shelby Steel Tube Co., which is identical with their later bid, and on which the contract was awarded them.

The bureau has made inquiries concerning Mr. Grey and finds that he is a "middleman," selling to the Government entirely on commission, with little

or no capital and no independent business of his own, and that this is not the first time that he has been caught in transactions similar to the one described, and in this case he is clearly a victim of his own carelessness.

In view of the foregoing report, and of the fact that your letter contains no evidence that it was not before the department at the time the Bureau of Supplies and Accounts was directed to charge the amount in question against your account, it can see no reason for reversing its original action in this matter.

Very respectfully, V. H. METCALF, *Secretary*.

Mr. GARDNER. Did you call that letter to the attention of the chairman before you testified?

Mr. GREY. This correspondence has been in the hands of my attorney for some months, and I do not know whether Mr. Stanley has seen that letter or not.

The CHAIRMAN. That letter, as far as that is concerned, has never been read by me. I do not know what the chairman has to do with it. However, if I had read that letter, knowing what I do of Mr. Grey and from his own statements, I would have paid very little attention to it. The only thing it shows is that Mr. Metcalf did not know a thing about Mr. Grey or his standing or his business.

Mr. GARDNER. The reason I asked the question is that I hit that letter by a shot at random. I landed that bird by a random shot, and I wondered whether the witness had told that story to the chairman. That is why I asked.

Mr. LOUGHRAN. I want to interrupt on behalf of Mr. Grey, if I may be permitted by the chairman, to say that it is not necessary for Mr. Gardner to fire at random, or to make any chance shot, or anything of that kind in order to elicit information in this case. The entire file of correspondence was copied by the Department of Justice, and the whole matter is in the hands of the Government. If Mr. Gardner or any other member of this committee wants to have this file in his hands he can ask the Department of Justice for it, or I shall be glad to have him examine it.

Mr. GARDNER. I think we had better ask the witness——

The CHAIRMAN. I will say this: I do not understand the nature of these questions. The chair is not touchy or sensitive at all, and he is usually very patient. The chairman of this committee works many hours of every day of every week, and devotes every moment that he can spare to giving attention to the evidence to be introduced before the committee.

The chairman talked with Mr. Grey about this matter for some time—for several hours. The only night the chairman had to spare was Sunday night, and he went over the matter with Mr. Grey for several hours. Neither with this witness nor with any other witness has the chairman ever attempted to suppress or withhold any evidence the witness had.

Mr. GARDNER. Bless my soul, Mr. Chairman, there is nobody in the world who will acknowledge that more quickly than myself; and as for making a reflection on you, such an idea had not entered my head or my question.

The CHAIRMAN. I misconstrued it, then.

Mr. GARDNER. My question was put for the purpose of ascertaining whether the witness had been entirely frank. That was the purpose of my question. That letter, it seemed to me, ought to have been called to your attention directly. This hearing has been going on

for three hours, and as to that very material thing, so far as I can judge, Mr. Loughran, there was no intention of calling it to the attention of the committee.

Mr. LOUGHRAN. On the contrary, all of the papers were here, with the intention on our part to submit any or all of them in evidence at the request of any member of this committee, with the understanding that they could be withdrawn by me, if necessary, in connection with further proceedings in the matter.

The CHAIRMAN. I do not see any reason why Mr. Grey should bring here a letter that he hoped not to have to read. It would have been easy, if he wanted to conceal the contents of that letter, to have left the letter in San Francisco.

Mr. GARDNER. Mr. Loughran has just pointed out that the letter is on file. He could not have left it in San Francisco, according to his testimony, because the papers have been in the possession of his counsel—unless Mr. Loughran is a San Francisco man. I do not know.

The CHAIRMAN. He could have left it in the office of his counsel.

Mr. LOUGHRAN. Let me make this clear——

The CHAIRMAN. It is not the duty of the chairman to defend the witness, but since you have asked about this matter, since I conferred with Mr. Grey before putting him on the stand, I have found, both on the stand and off of it, a perfect willingness on the part of Mr. Grey to give the chairman any information that he had, and the same disposition on the part of his attorney. His attorney advised me before the witness came on the stand that all of the papers they had were there and available for my inspection. I had no time to go through the vast file of papers. I do not believe anybody is making an effort to conceal anything.

Mr. GREY. May I be permitted to speak a word for myself, Mr. Chairman.

The CHAIRMAN. Certainly.

Mr. GREY. I seem to be in a false position here. I did not come to Washington at your behest to offer any plea for the return of this penalty to me. I am here to give you any information which I have concerning the prices of tubes——

The CHAIRMAN. You are not a voluntary witness. I heard about this matter, and went to see Mr. Grey's attorney, and wired him to come here, and notified him that he would be served with a subpœna if he did not.

Mr. GARDNER. Are you under subpœna?

Mr. GREY. I am; of your chairman.

Mr. GARDNER. You are here under subpœna?

Mr. GREY. Yes. I do not wish to appear here as offering any argument of my own as to the righteousness of my claim or the question which has become the issue here as to the return of my money.

I care nothing about it. I hope I shall never see it again. I am here to tell you about the contracts that I have entered into with the Mare Island Navy Yard, the reasons of my default, and the prices and the reasons for my bid and so on—not to make any plea for myself for the return of this penalty.

Mr. DANFORTH. Where was the subpœna served on you?

Mr. GREY. I was served by telegram from Mr. Stanley to make my appearance here. I have since received the subpœna here. My attorney, I believe, previously acknowledged it for me, and since my arrival on Sunday I have accepted it and signed it on the back.

Mr. LOUGHRAN. Let me make a brief statement of the case, if you will, Mr. Chairman:

The chairman of this committee wrote a telegram to Mr. Grey asking him to appear. Mr. Grey telegraphed to me that he did not desire to appear; that his absence from business would be prejudicial to his business. I deemed this matter sufficiently important to have it presented to the full committee, not because I hoped that the evidence here would aid in securing a refund of this money, but because I believed that the refusal of the Shelby Steel Tube Co. to make delivery to this man in 1906 of the tubes which he contracted to supply the United States Government was conduct on the part of the Shelby Steel Tube Co. in restraint of trade, and I wanted that fact to be presented to the committee.

The absolute refusal, the unreasonable refusal, the refusal without cause to sell to this man was, in my opinion, an act on the part of the Shelby Steel Tube Co. in restraint of trade, inasmuch as that company had theretofore, by its bid on these articles, indicated that it had the articles in its possession, and that it would furnish the Government with them. It appeared to me that the company had these materials for delivery, and that the conduct of the company in refusing to sell the articles to this man, after he had the contract, was, to my mind, circumstantially evidence that the intention of the Shelby Steel Tube Co. was to drive him out of business. That is the only point I wanted to present to the committee.

Mr. BARTLETT. You mean to drive him out of the business of that particular contract?

Mr. LOUGHRAN. Yes. Out of business generally .

Mr. GARDNER. As long as the counsel is in a testifying mood, Mr. Chairman, I should like to ask——

Mr. LOUGHRAN. In an explanatory mood, as to the testimony given by Mr. Grey.

Mr. GARDNER. Well, at all events, inasmuch as there is some doubt as to the evidence given by Mr. Grey—I will put it in that way—I wish to ask counsel whether he brought that letter of Secretary Metcalf's to the attention of a single, solitary member of this committee?

Mr. LOUGHRAN. When these papers were delivered to me—I will give you exactly the history of this case——

Mr. GARDNER. Answer first and explain afterwards.

Mr. LOUGHRAN. The papers were delivered——

Mr. GARDNER. I ask that Mr. Loughran be sworn, Mr. Chairman.

Patrick H. Loughran was thereupon duly sworn by the chairman.

Mr. GARDNER. It is customary to stand up when being sworn.

Mr. LOUGHRAN. Pardon me.

Mr. GARDNER. I will ask the counsel to answer this question: Did you bring that letter of Secretary Metcalf in that mass of papers there to the attention of a single, solitary member of this committee, or any of our assistants, with whom you have been in communication?

Mr. LOUGHRAN. This entire file of papers here was left by me in an envelope in Mr. Stanley's room, perhaps a week or ten days ago, without my having called his attention to any specific document in the files.

I asked Mr. Stanley to examine these papers, if he had the opportunity to do so, and——

Mr. GARDNER. Did you expect that he would have the time to do so?

Mr. LOUGHRAN. I had hoped that he would.

Mr. GARDNER. Did you expect it?

Mr. LOUGHRAN. After I had interviewed him several times and had seen what a busy man he was at the time, that indicated to me that he would probably not have an opportunity to examine the papers; and I do not believe he has, from my conversation with him.

Mr. GARDNER. And you did not expect to have the file examined?

Mr. LOUGHRAN. Do not put me, or attempt to put me, into a false attitude——

Mr. GARDNER. Did you or did you not?

Mr. LOUGHRAN. I not only expected that they would be examined. but hoped that they would be. That is the reason I took the papers to him.

Mr. GARDNER. You say that you did expect to have that file examined?

Mr. LOUGHRAN. I did, when I delivered it.

The CHAIRMAN. I will say, for that matter, that if the blame is to be put on anybody, it should be put on the chairman.

Mr. Loughran did bring that file of papers to me, and requested that I go through them. I have, as a matter of fact, had no time to examine them. I am too busy to go through in detail a mass of papers of that kind.

Mr. GARDNER. And he knows it.

The CHAIRMAN. He did not know that when he brought me the papers, otherwise he would not have brought them to me. How did he know I was so busy?

Mr. GARDNER. I have heard it stated from time to time.

Mr. LOUGHRAN. I want to say that this file of papers was also delivered to Mr. Colton, who is assisting Mr. Dickinson in the Steel Trust suit.

I left this file of papers with Mr. Stanley, the chairman of this committee, in the hope and expectaion that he would have the time to examine the papers, but in interviews with Mr. Stanley and with Mr. Grey subsequent to that time enough has been said by Mr. Stanley to indicate that he has never examined any of these papers here.

If you will pardon me for becoming argumentative for a moment, the reference by Secretary Metcalf to this man's carelessness——

Mr. GARDNER. On previous occasions or on that occasion?

Mr. LOUGHRAN. Just a moment. They are not the comments of Mr. Metcalf on Mr. Grey. This letter of October 1, 1907, from Secretary Metcalf is one in which there are extracts taken from an indorsement by the Paymaster General.

Mr. GARDNER. Will you be kind enough to read what the Secretary said himself, toward the end of the letter, with regard to Mr. Grey—

something about his having been caught previously in matters of this kind?

Mr. LOUGHRAN. That is just the trouble. You have the wrong impression about that, Mr. Gardner, and I want to correct it. [Reading:]

In view of the foregoing report and of the fact that your letter contains no evidence that it was not before the department at the time the Bureau of Supplies and Accounts was directed to charge the amount in question against your account, it can see no reason for reversing the original action in this matter.

I think you are eminently fair, Mr. Gardner, and I know you are exceedingly clever in your questions, but you were under a misapprehension in regard to the language you refer to being that of Mr. Metcalf's. It was not the language of Mr. Metcalf, but a quotation, in his letter, of the language of the Paymaster General.

Mr. GARDNER. I ask you to read that clause as to Mr. Grey's having been caught before, or something to that effect.

Mr. LOUGHRAN. Let me read, first——

Mr. BARTLETT. The trouble about the whole matter is that the quotations in the letter were not differentiated from the letter when it was read. In reading the letter, when you come to the quotation, say "quote."

Mr. GARDNER. Yes; that will answer the purpose.

Mr. LOUGHRAN. Let me read what was said in the letter by Secretary Metcalf:

Sir, replying to your letter of the 12th ultimo, requesting that the action of the department in charging against your account the sum of $1,113, the difference between the price named in your contract for boiler tubes on requisition No. 6, Bureau of Steam Engineering, Navy Yard, Mare Island, Cal., and the price paid by the department to the Shelby Steel Tube Co., by whom said tubes were furnished; you are informed that the department has carefully examined the previous correspondence in this case and find that the Paymaster General of the Navy, in his report of January 30, 1907, stated as follows:

Shall I read the quoted matter, Mr. Gardner?

Mr. GARDNER. Read the matter where it is not quoted at the end.

Mr. LOUGHRAN. I skip the quoted matter and continue with Secretary Metcalf's phraseology:

In view of the foregoing report and of the fact that your letter contains no evidence that it was not before the department at the time the Bureau of Supplies and Accounts was directed to charge the amount in question against your account, it can see no reason for reversing its original action in this matter.

Mr. GARDNER. Read the part of the letter which says that Mr. Grey has been formerly caught in this same sort of trouble. I understand, now, that that was written by Admiral Rogers, and not by Secretary Metcalf, and it is simply quoted by Mr. Metcalf?

Mr. LOUGHRAN. Precisely.

Mr. GARDNER. Will you read it?

Mr. LOUGHRAN. All of it?

Mr. GARDNER. Just that part of it.

Mr. DANFORTH. About his being a middleman.

Mr. LOUGHRAN (reading):

The bureau has made inquiries concerning Mr. Grey, and finds that he is a "middleman," selling to the Government entirely on commission, with little

or no capital and no independent business of his own, and that this is not the first time that he has been caught in transactions similar to the one described, and in this case he is clearly a victim of his own carelessness.

I desire to say, Mr. Gardner, that Mr. Grey was not a middleman. Many years before the Government entered into this contract with Mr. Grey, Mr. Grey qualified as a dealer. Many years before this contract was executed the Navy Department had instituted inquiries as to this man's financial responsibility, as to his character, as to his business connections, and the facts developed by that investigation satisfied the department that this man was one fit and proper to furnish supplies to the Navy Department, and he was accepted as a dealer.

Mr. YOUNG. Do you make any distinction between the term "dealer" and "middleman"?

Mr. LOUGHRAN. Yes; and so do the law books, if you will refer to them.

The statute under which the Navy Department is directed to make these purchases for the ships of the Navy expressly directs the Secretary of the Navy to send invitations not only to manufacturers, but to principal dealers and manufacturers.

Mr. YOUNG. What is the distinction that you make between "dealer" and "middleman"?

Mr. LOUGHRAN. The distinction that the Paymaster General attempts to make is this——

Mr. GARDNER. It was on commission, anyway?

Mr. YOUNG. I take it the Paymaster General means he was not a manufacturer?

Mr. LOUGHRAN. It was not on commission, Mr. Gardner.

Mr. GARDNER. Then the Paymaster General is mistaken?

Mr. LOUGHRAN. He says so, but it was not on commission.

Mr. GARDNER. Then the Paymaster General is mistaken?

Mr. LOUGHRAN. As an attorney, Mr. Gardner, you know——

Mr. GARDNER. Please do not make that mistake again. I now realize that you do not follow the proceedings of this committee. I hope I shall not have to put it on record again that I am not a lawyer.

Mr. LOUGHRAN. These things were not sold by Mr. Grey on commission.

The CHAIRMAN. As I see it, this committee is not investigating the Navy Department. I have no objection to Mr. Gardner inquiring into the conduct of the Navy Department, if he desires to do so, but when I saw Mr. Grey I was endeavoring to ascertain but one fact, and with the habit of any lawyer who has had any experience at all in adducing testimony I attempted to eliminate everything that is not material.

The question as to whether this man should have been allowed to default, whether the Navy Department should have collected this $1,100 is of no consequence to me, because this committee is not concerned in the attempt to recover that money. I told his attorney that when he began to talk to me about that matter. I am not interested in that. I do not care whether he ever gets it or not or whether the Navy Department was right or wrong in refusing to give it to him. This committee has no time to try that case. That is for the Court of Claims.

I want to know but one thing: After this contract was awarded, did the Shelby Steel Tube Co. refuse to sell the tubes to a competitor in order that they might eliminate or embarrass that competitor? That is the only thing I was interested in, and that was the only fact I attempted to adduce from this witness. That is the only evidence which he has to offer to this committee which is relevant to the issue we have before us.

Mr. GARDNER. And the chairman does not think that the Navy Department has any possible connection with the elucidation of that matter?

The CHAIRMAN. No; not as to whether——

Mr. GARDNER. Then I shall be obliged to take issue with the chairman on that point. I should say that that letter is most material in elucidating the validity of the statements of this witness.

Mr. BEALL. In this brief submitted by you to the chairman, Mr. Loughran, which the chairman turned over to me, there is this paragraph:

On January 30, 1907, the Paymaster General of the Navy, in a report made to the Secretary, referred to Mr. Grey as a "middleman," selling to the Government entirely on commission, and in this case he is clearly a victim of his own carelessness.

That is evidently a quotation?

Mr. LOUGHRAN. Oh, yes; there is no question about that.

The CHAIRMAN. When Mr. Loughran gave me this brief I had my stenographer make several copies of it. I gave Mr. Beall one and I gave Mr. Gardner one this morning.

Mr. GARDNER. I had not seen it before.

The CHAIRMAN. There was no effort to conceal that.

Mr. DANFORTH. I would like to ask, in view of the chairman's statement as to what he wanted to elucidate from this witness, whether the committee expected to pay the mileage of this witness from San Francisco and return for the purpose of this testimony?

The CHAIRMAN. I presume it will, if he wants it. This testimony is, in my opinion, most material to the conduct of the Shelby Steel Tube Co. in affecting the freedom of trade and the freedom of competition. Of course, each member of the committee has a right to his own opinion.

Mr. GARDNER. I would like to ask another question. Did the witness inform the chairman, or did his counsel inform the chairman or any other member of the committee, of the fact that he has since been successful in bids, and that this persecution, if it was a persecution, had stopped?

Mr. GREY. Did I inform them that it had stopped?

Mr. GARDNER. Yes. You say it has stopped. You testified to that. Did you inform any member of this committee before this hearing began that it had stopped?

Mr. GREY. I can not say that I was ever personally persecuted by the Steel Trust, nor that they have stopped persecuting me since. I have——

Mr. GARDNER. But you have bid against the Shelby Steel Tube Co. a great many times since, and this practice by which you could not secure that which you wished to resell to the Government has continued, so far as you know?

Mr. GREY. This is the only case in my record of 14 years in business, doing business with the Government and the public generally; this is the isolated case, the contradicting paragraph of the Paymaster General's report notwithstanding; this is the only case in which I have ever been involved, the only case in which I have ever been unable to fulfill my contract.

Mr. GARDNER. And yet you have been repeatedly competing against the Shelby Steel Tube Co.?

Mr. GREY. Yes, sir.

Mr. GARDNER. But this is one of those isolated cases you mentioned awhile ago?

Mr. GREY. Yes, sir; this is an isolated case.

Mr. BEALL. Just a few questions. You said something about trouble with the Shelby Steel Tube Co. originating about 1901 or 1902?

Mr. GREY. Yes, sir.

Mr. BEALL. That was when you first began to have trouble with them?

Mr. GREY. Yes, sir.

Mr. BEALL. What was the occasion of that trouble?

Mr. GREY. I can only conceive of one reason for their refusing to quote me, and that is that they did not wish to have business dealings with me.

Mr. BEALL. Why?

Mr. GREY. Probably for the reasón that they would like to have me eliminated, as they desired to furnish the material direct themselves.

Mr. BEALL. Had there been anything in your relations with the Shelby Steel Tube Co. that could suggest any other cause for this trouble of yours with that company?

Mr. GREY. None whatever.

Mr. BEALL. Had you been in default in any kind of way with the Shelby Steel Tube Co.?

Mr. GREY. Never. I have never failed to pay them a cent or been in default with them in any way.

Mr. BEALL. When did you first begin to be a competitor of the Shelby Steel Tube Co. in Government contracts?

Mr. GREY. Before the Shelby Steel Tube Co. became a competitor of mine, almost, in the year 1899; I was already in business.

Mr. BEALL. How long after that time was it before any friction began to develop or any tendency on their part to cease dealing with you?

Mr. GREY. In 1901.

Mr. BEALL. In 1906 they refused this order to you?

Mr. GREY. Absolutely.

Mr. BEALL. You said that they would have knowledge of the fact that it was to supply an order from the Navy Department, because Government inspectors would be required to go to their factories to make the inspection?

Mr. GREY. Not alone that. I so stated in my letter to them of August 14, 1906, when I asked for the first time for quotations.

Mr. BEALL. Since 1906 you have had contracts with the Government?

Mr. GREY. Frequently.

Mr. BEALL. You have gone out in the markets and bought tubes to supply those contracts?

Mr. GREY. I can buy anywhere in this country, with the exception of the Shelby Steel Tube Co., to the best of my knowledge.

Mr. BEALL. I understood you to say that you had a suspicion that the Shelby Steel Tube Co. supplied some of these very tubes that you have furnished to the Government?

Mr. GREY. Yes, sir.

Mr. BEALL. If they did that they must have had knowledge of the fact that they were being supplied to you in order to be furnished to the Government upon one of your bids?

Mr. GREY. Yes, sir. They did obtain that knowledge.

Mr. BEALL. Because the inspectors of the Government would have to go into their factories and supervise the manufacture of those tubes?

Mr. GREY. Yes.

Mr. BEALL. That was after the purchase was made, however?

Mr. GREY. Yes, sir.

Mr. BEALL. You have said something about having to go in a roundabout way to purchase these tubes. Have you ever, since 1906, made a direct application to the Shelby Steel Tube Co. for the purchase of these tubes?

Mr. GREY. No, sir. I thought one experience would be enough.

Mr. BEALL. Have you had any difficulty since that time in buying tubes to meet your Government contracts?

Mr. GREY. No, sir.

Mr. BEALL. Do you think that that desire to eliminate you ended or expired after the transaction of 1906?

Mr. GREY. They have never had occasion to quote me, because I never have asked them since 1906.

Mr. BEALL. For the simple reason that in 1906 you could not get them from anybody else?

Mr. GREY. I have since been able to get them from other people.

Mr. BEALL. Why was it you could not get them in 1906 from other concerns, and you have been able to get them since 1906 from other concerns?

Mr. GREY. There seemed to have been an understanding between those concerns who might at that time have been manufacturing seemless steel tubes, as well as the Shelby Steel Tube Co., to refer all such matters to the Shelby Steel Tube Co. as the fountain source from which this class of tubes must be obtained.

Mr. BEALL. I notice in some communication to the Detroit concern, you made a special request of them that, in the event they could not make terms with you they should return your correspondence and not forward it to the Shelby Steel Tube Co. Why did you make a request like that?

Mr. GREY. Because they had previously done that very thing, which I did not wish to have them do on that transaction.

Mr. BEALL. I believe you stated that your understanding was that that was a manufacturing concern?

Mr. GREY. Yes, sir; it was.

Mr. BEALL. Do you know the name of that concern?

Mr. GREY. The Detroit Seamless Steel Tube Co.

Mr. BEALL. Had you had a like experience with any other concerns?

Mr. GREY. With the Delaware Seamless Steel Tube Co.

Mr. BEALL. Had they referred your correspondence to the Shelby Steel Tube Co.?

Mr. GREY. No, sir; but they had declined to quote me, which prevented my buying the tubes any longer from that source.

Mr. BEALL. Did you know of any other manufacturer at that time of these steel tubes?

Mr. GREY. No other manufacturer.

Mr. BEALL. How long after this occurrence in 1906 before you made another bid for Government work to supply the seamless tubes?

Mr. GREY. I have never stopped making bids of this kind.

Mr. BEALL. Could you give us an idea as to how long after August 2, or October 31, 1906, you made a bid and received a contract?

Mr. GREY. There have been several occasions in the last five or six years. I can not say what interim intervened.

Mr. BEALL. On the next occasion that you had to go out to purchase these tubes, did you have any difficulty in getting them?

Mr. GREY. No, sir.

Mr. BEALL. What is your explanation of that—that in 1906 there existed this combination, this conspiracy against you, as you say, that, so far as you can ascertain or could ascertain, has absolutely vanished soon after that time?

What is your explanation of that?

Mr. GREY. My explanation is this: That I concluded that, having unwittingly bid in competition with the Shelby Steel Tube Co. for a Government contract for these tubes I was to be made an example of.

Mr. BEALL. You have wittingly bid since that time, in competition with them for tubes, and you have not had any trouble in these subsequent instances. What is your explanation of that?

Mr. GREY. My explanation of that is this: That at the time I so bid, I have had no knowledge as to whether the Shelby Steel Tube Co. was similarly invited to bid upon those tubes or not. That information could only come to my attention after the bids were opened.

Mr. BEALL. After the bids were opened and you discovered that you had bid in competition with the Shelby Steel Tube Co., have you had any difficulty in those instances in meeting your obligation?

Mr. GREY. Not in buying them from other concerns. I never bought any from the Shelby Steel Tube Co.

Mr. BEALL. Then that conspiracy, if it existed in 1906, has not existed subsequent to that time, as to these outside tube plants?

Mr. GREY. As to the outsiders; no. But with the Shelby Steel Tube Co., I believe to-day they would not sell me, if they could.

Mr. BEALL. Do you know whether or not it is the policy of the Shelby Steel Tube Co. not to sell to anyone who was a competitor against them in any bid any of the products that were involved in the bid?

Mr. GREY. That is my experience, Mr. Beall.

Mr. BEALL. Have you any more than that one instance as a basis for that opinion?

Mr. GREY. No, sir. As I say, this is the only time.

Mr. BEALL. Do you know of any of your other competitors—other firms situated as you have been situated—who had the same experience with the Shelby Steel Tube Co.?

Mr. GREY. Yes, sir.

Mr. BEALL. Who are they?

Mr. GREY. The Scully Steel and Iron Co.

Mr. BEALL. Where are they located?

Mr. GREY. In Chicago.

Mr. BEALL. Who else?

Mr. GREY. The dealers in San Francisco generally have discontinued bidding against the Shelby Steel Tube Co.

Mr. BEALL. Why?

Mr. GREY. Recognizing their inability to buy tubes from them when they were direct competitors. And I have been asked more than once why I did not give up, knowing that they have me.

Mr. BEALL. You think, then, that it is the established policy of the Shelby Steel Tube Co., where anybody else bids against them in competition for a contract for some specified articles, and that competitor is successful, that they refuse to furnish that competitor with those articles upon which they put in a bid themselves?

Mr. GREY. I can only say that that is the case so far as I am individually concerned.

Mr. BEALL. You said something about a hypothetical case that you put to Mr. Gardner. I did not understand it exactly. Who was it bid $1 below your bid? I do not ask for the name, but was it the party that gave you the estimate that came $1 under you, or a supposed competitor of that corporation or company?

Mr. GREY. It was the manufacturer who gave me the price for the purpose of my bid; only a week ago.

Mr. BEALL. A manufacturer gave you an estimate of so many thousand dollars for furnishing certain supplies to the Government?

Mr. GREY. He gave me an absolute price.

Mr. BEALL. He gave you a price?

Mr. GREY. Yes.

Mr. BEALL. And you put in your bid at that price?

Mr. GREY. Yes; I put in my bid at that price, without any profit to myself.

Mr. BEALL. And that particular manufacturer also put in a bid?

Mr. GREY. Yes, sir.

Mr. BEALL. Putting it $1 under your price, as I understand?

Mr. GREY. $1 under mine. Here is the telegraphic information of yesterday.

Mr. BEALL. $1 under your price?

Mr. GREY. Yes.

Mr. REED. I did not hear the witness say whether or not that was the Shelby Steel Tube Co.

Mr. BEALL. I did not ask him.

Mr. GREY. It is not the Shelby Steel Tube Co.

Mr. BEALL. I did not know whether or not he had any objection to telling.

Mr. GREY. I do not know where the Shelby Steel Tube Co. commences or ends in these purchases of steel tubes.

Mr. BEALL. I thought you cited that case to Mr. Gardner as evidence showing that there was a combination; that there was some connection between this particular concern and the Shelby Steel Tube Co., or the United States Steel Corporation. If you cited that incident as evidence of that kind, I fail to see how that establishes anything.

Mr. GREY. Shall I tell you what I think is the situation?

Mr. BEALL. You may.

Mr. GREY. I deduce from that telegram and the circumstance that this manufacturer, who quotes me a price for the purpose of my bid, at the opening of the bid himself bids $1 less than my bid, that the only purpose in giving me the quotation is to placate me, to comply with the moral obligation in the matter to defeat me in the end; that there is a conspiracy on the part of the Shelby Steel Tube Co. and its kindred manufacturers to keep such men as myself from furnishing any of their products, and to furnish them directly themselves; and that, in pursuance of that understanding or aim, they may, as seems to be indicated by this case of yesterday, give such men as myself a quotation with the idea that if he can add anything to that he is welcome, and if he does not add anything to that they will get the contract by bidding a still lower price for the contract.

Mr. BEALL. At the time you solicited that estimate, did you know that concern was likely to put in a bid?

Mr. GREY. I did not think so. I telegraphed them at the expense of 136 words, giving full information and asking for a price, and the answer came to my office giving no indication that they intended to put in a bid themselves; but at the opening of the bids they had discovered what these tubes were for, where they were going, and they defeated me in my purpose of getting the business.

Mr. GARDNER. Do you know that they did not bid before they gave you that information? Do you know whether they determined to bid before they gave you the information?

Mr. GREY. The prices they gave me were on January 16, and the bid which they submitted was January 22. They submitted their bid on January 22.

Mr. GARDNER. They submitted their bid six days later than the time they gave you the information?

Mr. GREY. Yes.

Mr. GARDNER. I think you have established that they played you a very mean trick.

Mr. GREY. I do not know what to think of it.

Mr. GARDNER. I should like to find out who that firm is.

Mr. GREY. I will tell you in confidence.

Mr. BEALL. Since 1906, when you have come to bid upon these Government contracts, has the amount of your bids been influenced at all by the recollection of the experience you had in 1906, and the fear of a recurrence of an experience like that?

Mr. GREY. Absolutely; yes, sir. I have had to protect myself by bidding a higher price than I would otherwise if I thought I could get the Shelby Steel Tube Co. to furnish the tubes for a reasonable price.

Mr. BEALL. You would have been able to supply them to the Government at a cheaper price?

Mr. GREY. I would have been able to offer a cheaper bid; yes.

Mr. GARDNER. I think you should establish the connection in some way or other between this concern and the Shelby Steel Tube Co. or the United States Steel Corporation.

Mr. GREY. Whether they are a part of the trust or whether they are not I do not know.

Mr. GARDNER. Are they manufacturers?

Mr. GREY. Yes, sir.

Mr. GARDNER. It is easy to ascertain whether they are a part of the trust. It is not so easy to ascertain whether they are standing under the same umbrella. Give me the name and I can tell at once whether they are a part of the trust, so far as organization is concerned.

Mr. GREY. May I give it to you privately?

Mr. GARDNER. Yes.

Mr. REED. I think the color of the cat depends a good deal on one's point of view, anyway.

Mr. GARDNER. Very likely.

Mr. Grey thereupon gave Mr. Gardner the name requested, privately.

Mr. GARDNER. I am unable to say whether it is a part of the trust or whether it is not. At all events, the name does not appear here in this book; but of course there has been a good deal or reorganization.

The CHAIRMAN. There are frequently interlocking directors.

Mr. GARDNER. Has anybody a directory of directors here?

The CHAIRMAN. No. I do not believe there is a copy here.

Mr. GREY. If I may be allowed a moment of liberty, I wish to say that I am endeavoring to continue in the business to which I have devoted the best part of my life, that of a dealer in iron and steel products, and I see no reason why, if my default in this case was brought about by circumstances in restraint of trade, I should be driven off the face of the earth, so to speak. I desire to do what is right and to continue in my legitimate business. If the Shelby Steel Tube Co. does not want to sell to me, I do not wish to oblige them to do so; but I think I am entitled to the liberty of buying my material from any concern within my knowledge, and to find myself in this situation yesterday is a very peculiar predicament. When a man has been in business as long as I have, whose reputation for the last 26 years in San Francisco has known no smirch and whose ability to pay his bills, be he middleman or not, is not questioned, I see no reason why he can not buy boiler tubes in this country.

The CHAIRMAN. Are you permitted to buy them abroad?

Mr. GREY. I could not buy these boiler tubes abroad, for the reason that they must be of American manufacture and must be inspected at the place of manufacture by United States Navy officers.

The CHAIRMAN. Mr. Grey, let me see if I catch your testimony correctly. I want to get the gist of it.

As I understand, about the year 1901 or 1902 you found great difficulty in purchasing boiler tubes and like articles from the Shelby Steel Tube Co., notwithstanding the fact they had previously solicited your business?

Mr. GREY. Yes, sir.

The CHAIRMAN. Did this company and their immediate vendees, these wholesalers from whom you attempted to buy tubes, continue to embarrass you and throw obstacles in your way from 1902 to 1904? Was that a continuing thing?

Mr. GREY. Obstacles were thrown in my way, but I could not tell you positively the sources from which they arose.

The CHAIRMAN. By this or that or the other refusal to sell to you?

Mr. GREY. Yes.

The CHAIRMAN. How long was it that you found yourself embarrassed by this habit on the part of nominally independent dealers, or people holding themselves out to the world as selling to all purchasers, of forwarding your correspondence to the Shelby Steel Tube Co.?

Mr. GREY. From 1902 until 1906.

Mr. GARDNER. How many instances of that kind were there?

Mr. GREY. I should say a great many.

The CHAIRMAN. Since 1906, are you forced to purchase these tubes indirectly? You say you have to go in a circuitous route to get them. What do you mean by that?

Mr. GREY. That I have to buy them through other dealers.

The CHAIRMAN. When you buy these tubes and make your contract for them with the dealer, the Steel Tube Co. has no knowledge that you are the purchaser? Is that so?

Mr. GREY. Perhaps not the ultimate purchaser, but they can find out by an investigation.

The CHAIRMAN. After you make a contract with the dealer, he makes a contract with the manufacturer, does he not?

Mr. GREY. Yes.

The CHAIRMAN. And it is only after the contract is made with the original manufacturer that the inspector goes to the plant?

Mr. GREY. Yes.

The CHAIRMAN. So that when your inspector does go to the Shelby Steel Tube Co., even if they know that these tubes are ultimately destined for your use, or for your contract, it is too late for them to interpose any objection, because you have already closed your contract. Is that so?

Mr. GREY. And if they have already compromised themselves by quoting and agreeing to sell these tubes, it is too late for them to withdraw.

The CHAIRMAN. So, that if you do get tubes now from the Shelby Steel Tube Co., they are not willingly sold to you, but are obtained by you by means of intermediaries over which they have no absolute control?

Mr. GREY. Yes, sir.

Mr. BEALL. Something has been said about the thickness of these tubes departing to a small extent from the standard thickness. Was there anything in that fact that would justify them in refusing to sell to you in 1906?

Mr. GREY. Not at all; no. The difference between a commercial quality tube and one required by the Navy was in the increased thickness required by the Navy.

Mr. BEALL. Is there any increased cost in the manufacture of tubes of that kind as compared with the standard tubes?

Mr. GREY. Yes.

Mr. BEALL. How much?

Mr. GREY. Speaking as a dealer, I should say about 10 per cent.

Mr. BEALL. That was a well-understood difference in cost?

Mr. GREY. Yes.

Mr. BEALL. But there was nothing in the physical construction of the tube that would prevent them from accepting you as a customer for that kind of tube as well as for any other kind?

Mr. GREY. Nothing whatever.

Mr. BEALL. They were the makers of both kinds?

Mr. GREY. Yes, sir; the Shelby and the National Steel Tube Cos. together.

The CHAIRMAN. Are there many dealers in the United States today who do bid on Government contracts of this kind?

Mr. GREY. Very few.

The CHAIRMAN. About how many such dealers are there? I want to call your attention to this, Mr. Gardner.

Mr. GARDNER. I was looking up this question of interlocking directors. As far as I have found, there are none of the directors of the United States Steel Corporation who are directors in that company, the name of which was given to me by Mr. Grey.

The CHAIRMAN. I asked if there were many persons or dealers or middlemen of any kind now bidding on Government contracts for supplies for battleships and other like material.

Mr. GREY. As far as boiler tubes are concerned and the local conditions in San Francisco, of which I may speak with authority, there are practically none except myself.

The CHAIRMAN. If you should be eliminated from the trade and no longer make bids to the Government for supplying boiler tubes and other such materials, would there be any other bidder for these materials to be furnished to the Mare Island Navy Yard and other points along the Pacific coast except the manufacturers themselves or the manufacturer himself?

Mr. GREY. I believe not. It seems to be getting to be a business now with the manufacturer and the consumer. There is no place for a dealer any longer in the business.

The CHAIRMAN. I believe the law provides that supplies for American battleships shall not be purchased in any foreign market. Is that correct?

Mr. LOUGHRAN. That is right.

The CHAIRMAN. Then if you and one or two others, perhaps, were eliminated for the furnishing of supplies to our battleships the manufacturers of those supplies would be the sole sources of supply to this Government, without competition?

Mr. GREY. Yes, sir.

Mr. GARDNER. Are they not the sole source now? What I mean to say is this: Is there any special advantage to the Government in having some company bid themselves, or bid through a middleman? That is not competition, if he expects to buy materials from the manufacturer. It would seem to be the natural evolution of things for manufacturers to bid direct, would it not?

The CHAIRMAN. I do not so understand. They bid for a great many things in addition to that.

The physical characteristics of these tubes, with a slight difference in thickness, are just like those of the merchantable tubes that are sold generally?

Mr. GREY. Yes.

The CHAIRMAN. If a man who was acquainted with prices, and was acquainted with the merchantable tubes which were sold with some competition, should call the attention of the Government to the difference between the price it is paying and the price for practically the same tube on the market, generally, and could induce the Government to accept merchantable tubes for its use, that would tend to lower the price of the tubes to the Government, would it not?

Mr. GREY. Yes, sir; it would.

In other words, if the Government were willing to waive its right to itself inspect and approve the tensile tests and tests of the chemical contents of the metal going into the finished tubes, they could buy them cheaper, undoubtedly. The merchantable quality of tube being vouched for only by the manufacturer himself, the Government is not willing to take his sole word for it, but sends its inspectors to the place of manufacture, in order that they may also be able to say that these tubes are as required by the standard for their battleships. That, undoubtedly, costs a trifle more money.

Mr. DANFORTH. How does it help the Government in getting cheaper or better materials to receive bids through a middleman, commission merchant, a dealer, or whatever you please to designate the man who bids, instead of from the manufacturer direct?

Mr. GREY. I think that I have been the indirect means—perhaps the unfortunate means—of saving a good many dollars to the Government on occasions. Such men as myself—dealers in the business—have a right to make our own living, and we have a right to compete under any kind of conditions or difficulties

There is this to be said, that at times I have been able to bid on materials required by the Government a lower price than even a manufacturer, but I do it at my own risk. There is an element of danger.

The CHAIRMAN. As in 1906?

Mr. GREY. If I should, as I did in that case, bid a price which would seem to be indefensible on my part and should not be able to buy those tubes ultimately at the price of my bid, it is my business to make good the difference; and I do so.

If you eliminate all the dealers from this business, you have then the principal manufacturers only—and I believe, as regards seamless steel tubing, you have but one manufacturer in this country for the Government quality of seamless tubes—and it would give them the right and the opportunity to bid any price they pleased for furnishing that product to the Government. Indeed I can, if you wish to cross-question me on that point, show you in what relation the dealer stands to the manufacturer at times in that matter.

Mr. DANFORTH. But the dealer, the middleman—I use that term as describing the man who intervenes between the purchasers, the ultimate consumer, and the manufacturer—can not keep on bidding lower than the manufacturer. He must make a profit or not live.

How does the Government make any money out of providing a means of sustenance to that middleman? I am not now bothering myself about your right or privilege to make a living in this particular business. I can not see, myself, how the Government benefits by that.

In regard to there being only one corporation who could furnish these tubes, Mr. Herbert Knox Smith in his report states that the percentage of seamless tubing manufactured by manufacturers other than the Steel Corporation is increasing each year; that it was over one-third in 1906; and that now, as I remember it, it is over 40 per cent—or was in 1910.

Mr. REED. It was 45 per cent in 1910, Mr. Danforth.

Mr. DANFORTH. It was over 40 per cent, I remember. How do you account for those two things?

Mr. GREY. I wish the gentleman in question had pursued his investigations a trifle further, to find out what was the proportion of Government tubes furnished by the trust and the outside competitors.

Mr. DANFORTH. That table does not cover that.

The CHAIRMAN. I wish you would explain that.

Mr. GREY. I believe that in the period covered by 1906 there was but one manufacturer in this country who was, by understanding or by willingness, however it may appear, able to or who did furnish seamless tubes, inspected at a place of manufacture by the Government; and that was the Shelby Steel Tube Co.

Mr. GARDNER. Were there not other bidders? Of course, the only ones who furnished tubes were the men who got the lowest bid. Were there not any other bidders in 1906?

Mr. GREY. No, sir. The local bidders have dropped out of the business entirely.

Mr. GARDNER. Had they in 1906?

Mr. GREY. It seems so. There was only one other bidder whose price was higher than mine.

Mr. GARDNER. There were three bidders, were there not?

Mr. GREY. The Shelby Steel Tube Co. and two others.

Mr. GARDNER. Going back to the year 1900, how many bidders would there have been in 1900?

Mr. GREY. Any number.

Mr. GARDNER. That is, you mean 10 or 20?

Mr. GREY. As many as might be invited.

Mr. GARDNER. As a matter of fact, did a good many respond to that invitation?

Mr. GREY. Yes, sir; nearly all.

Mr. GARDNER. Were they all dealers, or did the manufacturers of 1900 bid? Was it the custom for the manufacturers to bid, or did they allow the dealers to do the bidding?

Mr. GREY. It was the custom to let the dealers do the bidding in the matter of local purchases for the Mare Island Navy Yard.

Mr. GARDNER. That was by arrangement between the manufacturers and the dealers, in order to keep their custom, I suppose?

Mr. GREY. I believe it was due to the beneficence of our Government to distribute its patronage over the various cities of the United States, and not confine all the purchases to one point.

Mr. GARDNER. That is to say, the purchases were not awarded strictly on economic grounds, but they were made with some consideration for the territory where the bid was awarded?

Mr. GREY. I presume that to be the case. Taking myself as an illustration, I think that the business of the Government, such as is established by the Mare Island Navy Yard, should be of some benefit to the city of San Francisco in particular.

Mr. GARDNER. You feel that San Francisco should have a greater benefit from it than Milwaukee, for example?

Mr. GREY. Yes; I think it should have some of it.

Mr. GARDNER. I do not, I do not feel that New York should have any greater expenditure from the customs receipts because the customhouse happens to be situated there. Still, I admit that in the past the purchasing agents of the Government did take into account that strong local demand for consideration.

Mr. GREY. May I supplement my reason for saying that?

Mr. GARDNER. Yes.

Mr. GREY. The dealers in San Francisco are expected to keep a supply of material on hand, not only for their own uses, but to provide such material as the Government may need for its emergencies. If there were no dealers in San Francisco, the Government's immediate necessities could not be provided. It takes a long time to manufacture these things. Here is an instance that has been referred to to-day where the Shelby Steel Tube Co. wanted 150 days to furnish the tubes in 1906.

Mr. GARDNER. You say the dealers there keep a stock on hand?

Mr. GREY. There are dealers who keep a stock on hand. I have done so many times in a great many things that I thought I could sell.

Mr. GARDNER. Have you a large store?

Mr. GREY. No; I do not have any more.

Mr. GARDNER. When did you have?

Mr. GREY. I never had a large store. I have had goods in the warehouse. I do not sell at retail. I sell to the consumers generally on the coast.

Mr. GARDNER. You absolutely buy a large stock of goods to sell them to whoever is ready to purchase them?

Mr. GREY. I buy them, store them in the warehouse, and have access to the stocks.

Mr. GARDNER. What is the biggest stock of goods you ever had on hand?

Mr. GREY. Of my own, $10,000.

Permit me to say, in my connection as a dealer in San Francisco, I do represent one concern as its bona fide agent in the territory known as the Mare Island and Puget Sound Navy Yards. They have a very large stock of steel in San Francisco—perhaps $200,000 worth—on hand and on the way.

Mr. GARDNER. What is that concern?

Mr. GREY. It is the Midvale Steel Co., of Philadelphia. I can not call myself by any manner of calculation a middleman, selling on commission. I never sold anything on commission in my life.

Mr. YOUNG. What is your arrangement with the Midvale Co.? Do they give you a salary?

Mr. GREY. No, sir.

Mr. YOUNG. How are you compensated for what you do for them?

Mr. GREY. I buy outright this material.

Mr. YOUNG. I thought you said you acted as their agent—as the agent for the Midvale Steel Co.

Mr. GREY. Yes, sir.

Mr. YOUNG. Then, if you buy outright from them, you would hardly be their agent.

Mr. GREY. I am in this sense, that I do buy outright any orders which I may secure for the Mare Island Navy Yard and for the Puget Sound Navy Yard of certain materials.

Mr. GARDNER. You buy from them and sell at what price you please?

Mr. GREY. Yes, sir; at what price I please, but at a reasonable price.

Mr. GARDNER. I do not want to diverge into a question of what is a reasonable or an unreasonable price. Everybody thinks the price he gets reasonable and everybody thinks the price he has to pay is unreasonable. What I mean to say is this: Did you quote the prices at which you sold the goods to the Midvale Co. before you bought them from the Midvale Co.?

Mr. GREY. Our offices adjoin. There is no secrecy between us.

Mr. YOUNG. Who fixes the price? Do you fix the price, or do they?

Mr. GREY. I do.

Mr. GARDNER. On consultation with them?

Mr. GREY. Occasionally.

Mr. GARDNER. Not habitually?

Mr. GREY. Not necessarily.

Mr. YOUNG. But generally?

Mr. GREY. Generally.

Mr. GARDNER. In the case of anything except regular standard goods do you not always consult them?

Mr. GREY. Yes, sir.

The CHAIRMAN. Does it require much skill to know about the transportation of these orders, and all that sort of thing?

Mr. GREY. I should say it did.

The CHAIRMAN. And assembling the material and the means by which it is to be obtained, and so on?

Mr. GREY. I should say it did. It requires special skill in this particular line of business.

The CHAIRMAN. What distance do you transport that freight to assemble it?

Mr. GREY. From one end of the continent to the other.

I thought I might be allowed, Mr. Chairman, to show my relation in this contract to that of the Shelby Steel Tube Co., but I have not been questioned on that line. That is the sole purpose of my coming, as I had expected, from San Francisco, before your committee. I thought you wished to draw me out on my bid here as regards how I obtained the price which I inserted for these boiler tubes, and how I expected——

The CHAIRMAN. How did you determine what was a reasonable price for them? I want to know whether you exercised due diligence or whether you just simply made a mistake—an error—in bidding too low or whether you acted through good judgment?

Mr. GREY. My bid was at that time $1,113 lower than that of the Shelby Steel Tube Co. That is one case, at least, where the dealer was of advantage to the Government.

Mr. GARDNER. But you could fairly offset that against the bid in October, 1911, where the manufacturer kept the dealer down?

Mr. GREY. Yes. That is why I think the two elements are desirable to be kept going.

I think my prices at that particular period were not only conservative, but that they were rather liberal to myself on that particular contract.

I have reason to know that the price of commercial standard tubes in this country used all over the country had declined, between 1904 and 1906, 40 per cent; and I should suppose that, in sympathy with the price of those tubes, the same tubes, excepting for the additional thickness, would likewise proportionately decrease in their cost to the Government. This seems not to have been the case.

I am charged with having made a price here which could not be considered reasonable. I want to say this, if I am permitted, that the price which I quoted was $4,385, which was based on a previous bid, as the Secretary of the Navy has told you, not quite three years but a little more than two years previous. Taking into consideration the fluctuations of the market, the price at which I offered these tubes, $4,385, is, in my estimation and experience, about a thousand dollars higher than I ought to have offered it; but, with the elements of risk confronting me, my inability to buy these tubes with the knowledge of the Shelby Steel Tube Co., if they were known to be for me, and the difficulties with which I found myself surrounded from other sources, it seems to me that I was obliged to protect myself in this way.

The bid of the Shelby Steel Tube Co. was $5,498, showing an increase in their price to the Government of 55 per cent over their previous bid three years ago.

You may use that information as a fact, and as coming from me, for what is may be worth. I offered no suggestions as to the meaning of the increase of the price of that commodity to the Government—55 per cent in three years.

The CHAIRMAN. That is all.

Mr. LOUGHRAN. Is the witness to be excused?

The CHAIRMAN. If we have no further questions by members of the committee.

Mr. LOUGHRAN. I would like to have it understood whether these papers that have been referred to are to be filed as exhibits or copied by the reporter?

The CHAIRMAN. They will appear in the record. The originals will be returned to you.

Whereupon, at 3 o'clock p. m., the committee adjourned until Monday, January 29, 1912, at 10.30 a'clock a. m.

No. 40

UNITED STATES STEEL CORPORATION

HEARINGS

BEFORE THE

COMMITTEE ON INVESTIGATION OF UNITED STATES STEEL CORPORATION

HOUSE OF REPRESENTATIVES

MONDAY, JANUARY 29, 1912

WASHINGTON
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1912

UNITED STATES STEEL CORPORATION.

COMMITTEE ON INVESTIGATION OF THE
UNITED STATES STEEL CORPORATION,
HOUSE OF REPRESENTATIVES,
Monday, January 29, 1912.

The committee this day met, Hon. Augustus O. Stanley (chairman) presiding.

The CHAIRMAN. We are ready to proceed, gentlemen. Mr. Brandeis, you may proceed with your preliminary statement.

STATEMENT OF LOUIS D. BRANDEIS, ESQ.

The witness was duly sworn by the chairman.

Mr. BRANDEIS. I desire, Mr. Chairman and gentlemen of the committee, to call to your attention certain facts and considerations bearing specifically upon the labor policy of the United States Steel Corporation.

Mr. LITTLETON. Would you prefer to stand or sit, Mr. Brandeis?

Mr. BRANDEIS. I think it will be easier, perhaps, to stand.

Mr. LITTLETON. Very well.

Mr. REED. Just at this point, Mr. Chairman, allow me to interject an objection for the reason that the resolution under which this committee is proceeding authorizes no investigation into the conditions of labor or questions.

Mr. MCGILLICUDDY. It is a question of operations of the United States Steel Corporation.

The CHAIRMAN. The committee have informally discussed that matter and it has been discussed by the Committee on Rules prior to that time, and under the language of this resolution on the question of the organization of the Steel Corporation and on the question of cost of production, the cost of labor being incident to and an essential part of production, the committee were of opinion that it is sufficiently broad as a resolution, and that they are warranted in going fully into the labor question; so that matter has been practically decided.

Mr. REED. The chairman will note my objection?

The CHAIRMAN. Yes.

You may proceed, Mr. Brandeis.

Mr. BRANDEIS. I am glad to find, Mr. Chairman, that that question is open for full discussion, because in my opinion it is, of all of the important questions which your committee has inquired into, that which most directly affects the welfare of the American people, and therefore is preeminently a question of national importance.

That is true not only on account of the large number of employees of the Steel Corporation—that number in itself comprises an appreciable percentage of the working people of America, in normal times it appearing that 200,000 persons are employed by the Steel Corporation—not only that, but there is, of course, indirectly dependent upon them families, and families in large number, and it is possible the total number of persons directly dependent upon the Steel Corporation for their sustenance is nearer a million.

But the significance of the question is by no means limited to that number, because the influence of the Steel Corporation is such, in the first place, in the steel industry itself, that what it does in respect to labor is done practically by all in the industry.

Nor is it limited to the steel industry, because the conspicuous example of the Steel Corporation, with its extraordinary connections, is such that its influence is widespread.

In view of that importance of the size of the corporation and its great power, what this corporation does in respect to labor, what its policy is, can not fail to have a very great influence upon the importance of the situation as to labor, and, through labor, upon the whole situation as to the industrial policy of this country.

We have heard for a long time from various sources—possibly originating in the single source, but appearing on all sorts of occasions—the assertion that in respect to labor the Steel Corporation has an excellent record; that its effort has been to advance the interests of its employees.

Very recently, within a fortnight, Judge Gary, whom we have all come to regard as the responsible head of the Steel Corporation, stated:

> I believe, taking everything into account, the treatment accorded by our corporation to its employees compares favorably with that of any line of industry in this country or any other country at the present time or any period in the history of the world.

Gentlemen, that is a great challenge, and I want to consider with you to what extent that statement is true, and, indeed, what the actual facts are as to the treatment of labor.

In that inquiry we are fortunately aided by the very careful, able, and thorough investigation made under the direction of United States Commissioner of Labor, the results of which are only now being made public.

The first question in considering the condition of labor is, and to my mind must be, the hours of labor. No matter what men are paid, no matter what the ordinary conditions may be under which they work, the first question must be, How long did this man work? Because not only does the excess of hours of labor entail upon the individual very serious consequences in respect to health and the ability to endure labor in the future, but the effect upon the community as a whole is of infinite importance; in the first place, in determining what is the time that is left to the individual to devote himself to the needs of his own family, to aid in the education and the bringing up of his children; and in the second place, what is the time that is left to the individual to perform those duties which are incumbent upon him as a citizen of a free country.

This condition of labor to which Judge Gary challenges our attention must, first, therefore, be regarded with reference to the hours; and what is that result?

This report of the Commissioner of Labor states:

During May, 1910—

But practically the same is true, as the report shows, of December, 1911—

During May, 1910, the period covered by this investigation into the steel industry, 50,000 persons, or 20 per cent of the 153,000 employees of the blast furnaces, steel works, and rolling mills covered by this report customarily worked seven days per week, and 20 per cent of them worked 84 hours or more a week, which, in effect, means a 12-hour working day every day in the week, including Sunday.

Consider what that means, to work 12 hours. It does not mean to have 12 hours free, because of the remaining 12 hours——

Mr. STERLING (interposing). Were you reading from the commissioner's report?

Mr. BRANDEIS. That which I read was quoted from the report of the Commissioner of Labor; yes, sir.

That 12 hours a day for 7 days in the week means in addition to that is the time spent by the individual laborer in going to and from his work, which, according to the location of his home, may mean another hour or sometimes 2 hours, leaving to the individual perhaps 11 hours, perhaps 10 hours, or, under certain circumstances, to be given to sleeping, to meals, and to such attention—although it is irony to speak of it—that he may give to his family, to his public duties, to say nothing of the pleasures of life.

But, as the Commissioner of Labor points:

This hardship of 12-hour days and a 7-day week is still further increased by the fact that every week or two weeks, as the case may be, when the employees on the day shift are transferred to the night shift, and vice versa, employees remain on duty without relief either 18 or 24 consecutive hours, according to the practice adopted for the change of shifts. The most common plan to effect this change of shift is to work one shift of employees on the day of change through the entire 24 hours, the succeeding shift working the regular 12 hours when it comes on duty.

The commissioner then goes on and points out that this fortnightly change, as it is ordinarily made, involves in the individual the necessity of completely changing his habits of life as to sleep and as to eating, and that therefore not only is the individual subject to the hardship of 84 hours a week, but he is subjected to the additional hardship of being obliged to make that change fortnightly in his habits, which prevents his accustoming himself to some regular method, and therefore heightens the evils of the case.

The percentage of the men that I have referred to appear to be even more serious when you take individual departments of the industry. Let us consider, for instance, the blast-furnace work. In that work, according to the Commissioner of Labor, nearly 88 per cent of the 31,354 men engaged in that branch of the industry are subject to that method of living.

Judge Gary has had occasion to refer to this criticism, and he says, in regard to it, two things which show, to my mind, the utter inability of the corporation, with its able chairman, to regard human beings as an element in the problems committed to their care.

Referring to the fact that the Department of Labor is investigating this subject, he says:

If those qualified to pass upon the question reach the conclusion that 12 hours of such labor as is required in the processes of steel manufacture is excessive and unreasonable, the United States Steel Corporation will be prompt to make a change in this respect, as it has been diligent in instituting many improvements in the conditions of labor in the industry.

Think of that situation, Mr. Chairman and gentlemen. A life to which thousands and thousands of our fellow-citizens have been subjected, working 7 days a week, 12 hours a day, alternated only by days of 24 hours for the sake of getting a single relief of a day. Think of that situation that the members of the Steel Corporation and the eminent chairman, knowing of those facts, they having been called to his attention, are unable to form a conception of human needs and human suffering, and have to leave it to you, gentlemen, and to the Commissioner of Labor, to determine whether that is the treatment to be accorded to our fellow citizens.

But not only that, Mr. Chairman; Judge Gary has made in this connection another statement that throws light upon his attitude and that of the corporation, and which, to my mind, is absolutely disproved by the report of the commissioner.

Judge Gary says this, referring to the 12-hour day and these excessive days and hours of labor:

All of these things grew up with the history and in large measure from the fact that the most important processes in the manufacture of steel are continuous operations that must be carried on throughout the whole 24 hours of each day, and without cessation each day, every day of each week.

Let me read to you what the Commissioner of Corporations finds in that respect:

Blast-furnace department is the only one of the 13 departments where there is any metallurgical necessity for continuous operation, day and night, throughout 7 days per week. In industries other than iron and steel, where continuous operation is necessary, such, for instance, as street railway and newspaper publishing, it is the custom to carry a sufficient number of employees to enable each employee to rest one day in seven.

And then this:

That much of the Sunday labor which has been prevalent in the steel industry is no more necessary than in other industries is shown conclusively by the fact that during the investigation made in 1910 by this bureau into the condition of labor in the Bethlehem Steel Works, the president of the Steel Corporation directed the rigid enforcement of a resolution adopted three years previous cutting out a large part of Sunday work, except in the blast-furnace department.

Mr. YOUNG. Does that refer to the president of the Bethlehem company? You used the term "president of the Steel Corporation."

Mr. BRANDEIS. It is "president of the Steel Corporation."

Mr. YOUNG. They do not own the Bethlehem plant?

Mr. BRANDEIS. The statement of the Commissioner of Corporations is this, that in a prior investigation this fact of the excessive hours of labor was brought to public attention and a direction was given by the president of the Steel Corporation that a regulation adopted three years previously—a rule or regulation for the mills which had been adopted three years previously and not acted upon—should be acted upon, and that he refers to as further evidence of the fact that there was no metallurgical necessity for this.

Mr. REED. Does the commissioner say it was not acted upon?

Mr. BRANDEIS. He does not; but I will call attention to the evidence, though not at this point; I will call attention to exactly what he states in regard to it.

Mr. YOUNG. Is it your contention that, notwithstanding that order of the president of the steel company, things have gone on just as before?

Mr. BRANDEIS. They have gone on practically in the same way, and it is only during a comparatively few months an effort has been made in certain isolated instances, as the commissioner mentions, to remedy that evil.

The effort has been the result of the public criticism which began in some respects, or in the main, with the investigation undertaken by the Russel Sage Foundation, at Pittsburgh, under the name of "The Survey," which was made public by articles prepared by John A. Fitch, who conducted the investigation in relation to the steel works, and which has been commented upon in various ways since.

But nothing was done, even up to this day, that is very material, and from the point of view to which I am calling attention nothing whatever has been corrected; that is, nothing that would be of significance; because I desire, in calling these matters before you, not merely to bring your attention to the terrible suffering of our fellow citizens and the result which they will have upon all of our people, but I want you to see, as I will later endeavor to point out, just what the cause of that condition has been, and to call your attention to an effort to remove the cause and not merely the manifestation of a wrong that exists.

But here, see this! Judge Gary is here waiting, in regard to that 12-hour day, to see what the constituted authorities of the United States say should be done, and while he is waiting for that this very steel industry, operating, as they are supposed to operate, under conditions far less favorable than ours, has been able to eliminate altogether——

The CHAIRMAN (interposing). Mr. Brandeis, it is not possible that any foreign country anywhere ever did anything for a laborer that is not done by our American industries, who are instituted and protected in the name of those laborers? You are surely mistaken about that?

Mr. BRANDEIS. Unfortunately, Mr. Chairman, I am not mistaken in this respect, and I will endeavor to call your attention in a few words to the condition of the worker in the steel industry in England.

Let me, in answer to Mr. Reed's suggestion and the inquiry from the committee, just call attention to this: I was speaking specifically of the 7-day laborer of 12 hours a day. In addition to that 12-hour-a-day 7-day laborer, as to which, under the prodding of this criticism, there have been some efforts or some starting of the making of a change, there is a vast amount of 12-hour-a-day 6-day labor, and in respect to that I want to read what the Commissioner of Corporations says in his report, which he declares to be applicable as of December, 1911, and consequently very recent evidence:

Nothing has been done by the manufacturer, nor have any proposals been made to lessen the proportion of men working 72 hours or more per week. It was found in this investigation that 42 per cent of the 173,000 employees in

the iron and steel industry were working at least 72 hours per week, or 12 hours per day, for 6 days a week. This proportion remains unchanged, being unaffected by the plan to give the men who are working 84 hours per week 1 day of rest in 7.

Compare that situation reported upon by the Commissioner of Labor with the situation which was attained by the English worker, certainly as early as 1906, because it appears in a report to the Board of Trade of that date.

The hours of labor in the English industry are not the same in all the different establishments. They vary in part in different parts of the country. But the average hours of labor of the steel worker in England are 55.2 hours per week. In some of the districts the average hours of labor are about 51.2 hours per week. In other districts the average is 61.2 hours per week, being about equally divided in the country between those longer hours which reach an average of 10 hours a day for 6 days in the week and those shorter hours, which are a little more than 8 hours a day.

This supposed metallurgical necessity of continuous operation exists quite as well in England as it does in America, and they manufacture, as I understand it, iron and steel which does not differ in quality from that manufactured here. They have found by a very simple arithmetical proposition the possibility of taking care of that continuous operation by dividing the 24 hours into 3 periods of 8 hours each instead of dividing the 24-hour day in two shifts; and they have been able to meet the proposition of Sunday labor by providing other persons to work on that day.

The problem in the steel industry is not different from the problem in a great many other industries. I am sure Mr. McGillicuddy, of Maine, is very familiar with the paper industry in Maine and knows very well as to the tour workers—in this very period in which the Steel Corporation has been groping, or, if not groping, has been living in the dark as to what humanity required—the people of Maine have been able to determine that the 12-hour shift in the paper mills shall be changed, and that they have 3 tours a day instead of 2 tours, and the paper industry proceeds, at least so far as quality is concerned, as well as it did before.

There is a condition to which these steel workers have been subjected and which I submit is absolutely inconsistent with the welfare, not only of them, but of our country. What does it mean? Does it not mean absolutely and certainly that these thousands upon thousands of people are deteriorating and bringing about a degeneration of the race? Can it be otherwise?

The CHAIRMAN. At that point, not to interrupt you, because I am deeply interested, I have heard there was a public necessity for this change in Great Britain which does not exist in this country. They have a custom there of pensioning the derelicts of labor when the excessive exactions of this racking business have rendered their bodies no longer able to endure this hard labor, and that was in the form of a pension which fell upon capital and was maintained by taxation.

In this country, as I understand it, those derelicts, usually, I believe, at something like the age of 40, fall upon their immediate families. They are maintained by the children who are still able to labor, and we are fortunate, perhaps, so far as our capital is con-

cerned, in not being under the same necessity to care for those who are exhausted by the demands of this character of labor that does not exist in England.

Mr. REED. Of course the chairman, in making that statement or asking that question, does not mean to refer to the Steel Corporation, which, of its own accord, has established a pension plan for its own employees?

Mr. BRANDEIS. If you will permit me, Mr. Chairman, to take up Mr. Reed's reference to the pension plan and your own statement in regard to the matter of pensions a little later, I will devote myself for a moment to that other branch of the inquiry, to which I am extremely glad you called attention, and that is the effect upon these individuals.

It has been stated, and there seems to be much evidence to support it, that such a life as this makes a man old at 40. The astonishing thing is that they should live until 40. I think they must be of peculiarly hardy build and of excellent constitution to be able to stand such a life as they do and to work until 40 years.

But it is not merely the dependence of that individual, it is not merely the fact that he becomes a useless individual and a burden to his family at 40, it is the fact that he is the father of a family and transmitting through another generation, and perhaps through many generations, the evil weaknesses and the degeneration which have come to him through the life to which he has been subjected—and it is not merely that; the degeneration is not merely physical; it is a degeneration which is moral as well, and how could it be otherwise? I ask you, gentlemen, to remember that these persons, however they may differ from us in race or in their habits of living, are individuals. Imagine what would be our condition if we, 7 days a week, undertook to work 12 hours a day.

I submit there is only one thing in which we could find relief, and that is in some form of dissipation. We could resort to it, and when you look into the lives of these men you will find how nearly allied they are to us, because they resort to precisely that thing.

Mr. Fitch has called attention to the fact of the use of liquor and to the expenditures of these men for liquor after pay day. In a single city it appears that these liquor dealers have gathered together at pay day from the hard-earned wages of these people from $30,000 to $60,000, which amount is deposited in banks by the liquor dealers after the lapse of a day or two from the paying off of the men.

What does that mean? It does not mean merely the waste of that money, but it means there is going on a moral degradation of those persons and of persons connected with them. It is not true, Mr. Chairman, that the burden is borne wholly by their families—fortunately it is not. It is borne by the community. This industry, in making these derelicts, in creating widely this demoralization which comes from subjecting its workers to such conditions, proves itself in the strongest way to be a parasitic industry. It is not merely, as you called attention, Mr. Chairman, the fact we are protecting this corporation by a tariff, by a duty, supposed to be in the interests of American workingmen. We are bearing a part of its burdens also, the rest of the community, by paying now and pay-

ing hereafter the taxes which go to support those who have been made paupers thereby.

Mr. Carnegie has said at various times this steel business is a business, as it was before this trust steadied the conditions of business, that was a case of feast or famine, of prince or pauper. The condition to-day, as it has been in the last 10 years, of this corporation has been a condition of prince and pauper, because that is what they have been doing to these people; and does not this life necessarily make paupers of them? It makes degenerates. It makes people from whom all the ability to work and all the ability to develop as American citizens ought to develop is necessarily driven out—not only from them, but their children and, to a certain extent, their children's children.

The CHAIRMAN. I have heard, Mr. Brandeis, and have seen it in the statement of Mr. Fitch, and I saw it again reiterated in your statement, that the steel worker is through practically at about 40 years of age. I am still unprepared to accept that statement. It seems to me incredible. My people, before the war, were slave owners. I always abhorred the institution of human slavery—we had an idea their lot was particularly hard—but the slave was at his prime at 40.

Have you investigated that, Mr. Brandeis?

Mr. BRANDEIS. I have not made any special investigation, Mr. Chairman, of that condition; but as a former native of Kentucky I have some knowledge of slave conditions as they existed, and I think there is a very simple answer to it.

The institution was socially and economically wrong, but it had elements in it by which it was mitigated so far as such an institution could be mitigated, by the personal relations of men to their dependents. This situation would only have been possible through the terrible absentee landlordism which prevailed.

Mr. YOUNG. But, Mr. Brandeis—and this is a very important thing, and I agree with you entirely as to the impropriety of men working 84 hours a week—but do you mean to state it as a fact that these men do generally break down by the time they reach the age of 40? Is that a fact?

Mr. BRANDEIS. I do not state it as a fact they do generally break down at 40. I am informed that a very large number of them become old men at 40, and my surprise is that they should not become old men earlier, because, knowing something as to what it is possible for men to do, particularly under the conditions in which these men live, it seems to me almost inconceivable that they should maintain their powers.

Answering further your question and that which the chairman has put, see what the difference is in the relation of the slave owner to the slave and of this corporation to its employees. I say you had, in the first place, that personal relation which grew up with men and women and children who, to a very large extent, lived from their birth to their death with the families. It was not always so, of course, but in a very great many instances it was. You had that personal relation of companionship. You had, above all, the conditions that the slave owner came daily in contact, personal contact, or to a very large extent in personal contact, with the individual, and if

he was human it was impossible for him to be otherwise than human to his slaves.

On the other hand, the owners of this Steel Corporation are in the position of the absentee landlords in Ireland. It has produced a condition in regard to these workers exactly comparable to the land-rent conditions which almost destroy the happiness and the lives of the Irish people.

The Steel Corporation has been consistently strenuous in its efforts to tell the public that its stocks are held by tens and possibly hundreds of thousands distributed throughout the country. To my mind that is one of the most serious problems of this whole question. That division of stock creates a condition of absentee landlordism. Thousands upon thousands of individuals, with small amounts of stock, have absolutely no control, and consequently can not feel any responsibility for what is being done by that corporation, but are receiving the benefits of it.

Mr. REED. Including 30,000 employees, Mr. Brandeis.

Mr. BRANDEIS. I will come to that a little later.

But when you take these individuals, the great evil is that these absolutely irresponsible people have no interest other than the interest for a dividend or an increased dividend and that the managers of this corporation stand in the same position as the stewards and bailiffs of the Irish estates, who feel it absolutely essential to the maintenance of their position and power that they should make those dividends, that they should make those profits.

That is the position, and in that respect it differs very widely from the position of the ordinary slaveholder.

But that is not all, Mr. Chairman. Here is another thing: Every slave was regarded as a piece of valuable property. It was the exceptional man who allowed either his necessities or his brutal nature or his temper to so treat his slaves as to render them incompetent and destroy the property which he had.

The CHAIRMAN. A good blacksmith slave was worth about two or three thousand dollars.

Mr. BRANDEIS. Yes; and many a slave who had none of that special skill was worth a thousand dollars.

From a pure self-interest the slave owner would not destroy his property any more than he would destroy his animals. We Kentuckians always had a great fondness for horses, and we knew that one of the first things to do to a horse was to take care of him, and they do that all over the country because the horse, aside from any affection that we might have for him, is a valuable asset—and the slave was a valuable asset. But these workmen are not valuable assets. They are paid as they go along, and when they cease to be valuable, during all these years, they have been turned off. There is a pension system, and I will come to that a little later, but it is a very recent pension system, established January 1, 1911.

I say that all they did was to turn them off. They went upon the scrap heap, but without that penalty or cost which comes to the owner in turning a machine upon the scrap heap, because every machine was paid for its full value, and these men are not paid their full value; they have been paid for the value of their use—and the depreciation charge has not been paid.

But what is more than that, when it comes to the value of the use, I want to have something to say, based, as it is, upon the report of the Commissioner of Labor.

There has arisen in the community, partly for historical reasons and partly no doubt because of the successful publicity bureau of the Steel Corporation, the idea that the steel worker is well paid. Mr. Underwood, in his report on the steel duties, has brought out the fact, which is fully confirmed by the report of the Commissioner of Labor, that this idea that the steel worker is well paid is one of the fallacies which exists in respect to the condition of labor. Let us see what he finds——

The CHAIRMAN. Is that notion that the steel worker is well paid due in any degree to the tradition that would naturally follow from prices once paid to the ironworkers in the days of the old rolling mill and the nail makers and the like of that?

Mr. BRANDEIS. That is what I referred to when I spoke of it as being in part a tradition from history. They undoubtedly were well paid in large part at one time. That was a time when the large part of the workers were skilled workers, and also at a time when there existed among the workers an organization of which I will speak later.

But at the present time about 65 per cent of the workers in this trade are unskilled workers, and the rate of pay which these unskilled workers receive is such that I believe no man familiar with it will call it good payment or proper compensation for men performing the work which they perform.

Mr. REED. In connection with the chairman's inquiry a moment ago as to whether Mr. Brandies had made personal investigation of this old-age-at-40 theory, I would like to have the chairman ask the witness whether he has made personal investigation of any of these matters, or whether he takes his information from these reports he has mentioned.

Mr. BRANDEIS. My information upon these matters, Mr. Chairman, so far as any statement of fact is concerned, is based entirely upon the reports of the Government investigation, our own Commissioner of Labor, the Commissioner of Corporations, so far as he has entered upon the subject, certain reports like that of Mr. Underwood, and the quotations contained therein, and very largely upon the work of Mr. John A. Fitch, of the Russell Sage Foundation, who made the personal investigation of this Steel Corporation and who, I trust, Mr. Chairman, the committee will subpœna and have come here, because I know of no single individual who is so competent to lay before the committee the facts in this respect.

Returning now to the question of earnings, I want to turn to the report of the Commissioner of Labor, where he gives, on page 9, a summary of the earnings in the blast furnaces. These data relate to 24,722 employees——

Mr. YOUNG (interposing). Does it state at what point?

Mr. BRANDEIS. At 176 blast furnaces.

Mr. YOUNG. These are all blast-furnace employees?

Mr. BRANDEIS. These are all blast-furnace employees.

Mr. YOUNG. Makers of pig iron?

Mr. BRANDEIS. Yes; on this particular point to which I am now calling your attention.

Of the 24,722 blast-furnace employees included in this report, 12.26 per cent earned between 12 and 14 cents; 16.96 per cent earned between 15 and 16 cents per hour——

Mr. YOUNG (interposing). Are these the men that work 84 hours a week?

Mr. BRANDEIS. 87.88 per cent of them work that time.

Mr. REED. You mean they work that time, or they are on duty that time?

Mr. BRANDEIS. I say they work that time, because, as the Commissioner of Corporations finds, these men work practically all the time, although part of that work does not consist in actual physical work during the period; just as the machine tenders in the paper mill, who are now relieved from working more than eight hours a day, have work which consists very largely in watching the machine and not in doing physical toil while they are engaged on duty.

Mr. REED. In order that the chairman may appreciate my reason, I may say that it is already in evidence before the committee that these blast furnace men actually have to toil four hours out of the twelve, and that rooms are provided for them to rest during the other eight hours.

Mr. BRANDEIS. Perhaps this may be the proper place for me to read——

The CHAIRMAN (interposing). I do not care to testify in this case, but I have visited those blast furnaces, and I am inclined to believe that that evidence which you had before this committee, Mr. Reed, that men employed for 12 hours a day are only expected to work four, and the rest of the time have nothing to do, needs explanation. It strikes the chairman they would hardly pay men for eight hours in which they had absolutely nothing to do. It would pay them to let those men go fishing, it would seem to me.

Mr. BRANDEIS. Let me read what the Commissioner of Corporations states on that subject, which perhaps may give the explanation, Mr. Chairman, which you have in mind.

The Commissioner of Corporations in that regard said:

During the investigation those in charge of the plant have, in their discussion with representatives of the bureau, frequently emphasized the fact that the men working these very long hours are not kept busy all the time. To a considerable extent this is perfectly true; but the employees in question, during the entire period, are on duty and subject to orders. They are not, except in rare instances, allowed to leave the plant. It can not be overlooked that it is not simply the character of the continuity of the work, but the fact that with so long a working day, the greater part of the employee's working hours is spent on duty in the mills, which is of significance to the worker and his family.

The CHAIRMAN. At that point, Mr. Brandeis, I have investigated and visited these mills, and have noted that the men are not continually engaged in work requiring physical exertion, but that condition also prevails in the cotton mills, where they are expected to tie a string at certain intervals, or at looms where they are expected to attend the loom when it runs out of yarn, and they work perhaps not one-fifth of the time, but are actually engaged in tending the looms, and they must be in the mill all the time, and the mill owners, as a rule, I think, consider they are at work.

In other industries the work is usually computed at the number of hours a man is employed, measuring his actual employment by the time for which he is paid.

I would like to get at the facts in that case, if those men are being paid for work they do not do, because the committee and the public are entitled to know if that is the case.

Mr. BRANDEIS. I think the report of the Commissioner of Corporations is very clear upon that point, as further illustrating the point which the chairman has made.

You may recall that classic instance, or rather the instance which has become classic, of the loading of pig iron, which Frederick W. Taylor called attention to—how, by showing the man how to load pig iron, and observing what the proper periods of rest were, the production of the individual man in loading increased from 12.5 tons per day to 47 tons per day.

He finds, in order to produce these 47 tons carried a day, which was nearly four times the amount previously carried, that a man has to rest 42 per cent of the time. He was working, in one sense, all the day; but he was not working every minute and every second of time, walking to and fro. No human being, or course, could do that. That is true in every industry, and particularly in the industries where machines work, and where the employee is attending a machine in some part.

Mr. YOUNG. It is claimed that during the hours these men do work—actually labor, I mean—their exertion is excessive and requires excessive physical exertion?

Mr. BRANDEIS. I believe, and on this matter Mr. Fitch will give you every definite detail, in regard to a large part of the men—I am not drawing particular percentages at the moment—there has been very great complaint, and I can refer you to some data on it if you desire, that the men have been speeded up, and that the effort has been excessive; that is, the complaint has been not merely that men were on duty a very long period of time, but that while they were on duty—I do not mean continuously, but during such portions of the time when they were actively working—the methods introduced of speeding up have tended to greater exhaustion; but I submit, and I think the data submitted by the Commissioner of Labor, and which Mr. Fitch will amplify, fully establish the fact that under no conditions could men work 12 hours a day, not only seven, but six days a week and retain their health, their working powers, and perform the duties to their families and to their State.

Mr. YOUNG. Have you any information as to about what proportion of these 12 hours they are engaged in active labor? There has been some testimony, as Mr. Reed stated, that it was only about 4 hours out of the 12.

Right there let me say that whether a man should be employed in any way 12 hours or not is one question, and it must be evident that their physical exertion during the most of that time is very great, the danger to their health is very much greater than if the excessive exertion were confined to a small part of that time.

Mr. BRANDEIS. That is absolutely true.

Mr. YOUNG. So it becomes very important to know about what portion of the time they have to labor excessively.

Mr. BRANDEIS. I think it is important; but I think it also is perfectly clear that there are no conditions of labor under which American citizens can be allowed to work 12 hours a day for 7 days in the week consistently with the welfare of their country, wholly regardless of themselves.

Mr. YOUNG. That was not the question I was raising, of course.

Mr. BRANDEIS. I can furnish you and shall be very glad to furnish you data which will by no means be complete, but illustrative as to the intensity of the work and, to a certain extent, as to the length of time; but no such data can be complete because the conditions vary, and the conditions of the needs of the men to work vary.

For instance, take a little different line of industry; take the machine tender in a paper mill. The amount of time out of the eight hours which he now spends that he is actually working depends on how well his machine runs. He may have an awful time during one period of eight hours, and during another period of eight hours on a single run he may have nothing to do but keep awake, practically.

Mr. YOUNG. But there is a general average you can usually strike.

Mr. REED. There is more regularity in a blast furnace than in a paper mill.

Mr. BRANDEIS. There may be more regularity, but the conditions of work in a blast furnace are horrible as compared with the almost ideal conditions of work in our better paper mills in the machine room.

I emphasize it, because I say under no conditions conceivable can American citizens be allowed to be subjected to those conditions of labor for any length of time. Any of us might work 12 hours a day and 7 days for a sufficiently limited time and in emergency; but only in an emergency. There are very few of us who are at all advanced in years who would not suffer even from that work for a few weeks.

When I came to this digression as to intensity and length of time of work I was speaking of the amount of earnings. I was giving the earnings at from 12 to 14 cents an hour for 12.26 per cent; of from 14 to 16 cents an hour for 16.96 per cent; of from 16 to 18 cents for 37.51 per cent; and from 18 to 20 cents an hour for 13.7 per cent.

There you have over 80 per cent of these workers in the aggregate. None of them receive more than 20 cents an hour——

Mr. REED (interposing). This morning I got a copy of the abstract of this report from the Commissioner of Labor, and I noticed the statement that 23 per cent earn more than 25 cents.

Mr. BRANDEIS. In the blast furnace?

Mr. REED. Of these employees.

Mr. BRANDEIS. You have forgotten I was discussing the blast-furnace people.

Mr. REED. Oh, you were only talking of the blast-furnace employees?

Mr. BRANDEIS. That is all at this time.

Mr. STERLING. Are the blast furnaces where the severest labor is required?

Mr. BRANDEIS. I do not know whether the severest labor is required——

Mr. STERLING (interposing). Also, what is counted highly skilled labor in the blast furnace?

Mr. BRANDEIS. The blast furnace is the place where the largest number of men work 12 hours a day 7 days in the week. I was calling attention to that, because there were 87.88 per cent of them. I wanted to turn to this question in connection with the statement of Judge Gary as to why these men wanted to work 12 hours a day, because he said that many of them did. Let me read to you what he says——

Mr. STERLING (interposing). Does it require a long period of training to make men competent to do this work in these blast furnaces?

Mr. BRANDEIS. I have stated that 65 per cent of the labor is unskilled labor, and I can be able to give you the exact data in regard to all the classes and the wages of each class in per cent. I will be glad to do that later.

But what I say—and it is an important point—is this: These men are American citizens, and we have got to consider what the effect of this industry is upon these American citizens and upon the rest of us through them.

Let me show you what the effect is—I am not referring now merely to the blast-furnace men, but to men generally.

Mr. STERLING. I did not want to call your attention away from that statement of Judge Gary's which you were about to read. I would like to hear that, Mr. Brandeis.

Mr. BRANDEIS. He said:

> At various places our abolition of seven-day labor was opposed by the men, because it decreased their earnings, and the same opposition would probably be encountered in a reduction of the daily hours of labor.

That is the statement to which I wanted to refer. I want to inquire why these men work 12 hours a day, aside from the fact that that is the rule of the industry, and why any man should object?

Mr. STERLING. On that point, Mr. Brandeis—although you may intend discussing it—I have seen statements, though I can not give authorities, to the effect that tests have shown that, as a rule, men could accomplish as much in 8 hours as they could in 10 hours, taking it for a long period of time. Do you know of any experiment of that kind?

Mr. BRANDEIS. I do; an extremely interesting experiment, made with great scientific accuracy.

Most of the famous experiments that have been made and most of the practical experiments that have been made were in the Zeiss Optical Works in Jena, Germany. They have been going on in many places, but they were made there under the supervision of the most careful scientific investigators. That is an institution which, owing to the broadness of view of its founders, it was determined afterwards to develop in the interest largely of the workers and of science. A large part of the profits that do not go to the workers go the University of Jena. They found there, although they had reduced the labor, as I recall it, to nine hours, that when they further reduced the labor to eight hours they got a better result than they did in the nine hours.

A similar test had been made not long before that by Mr. Mather, in his iron works in England, at Manchester. He found that upon a reduction of the hours of labor, which was made voluntarily, that a

better result was obtained, and there is a very large volume of more or less valuable testimony bearing upon that same subject. These are the best instances I happen to know of at the moment.

Mr. STERLING. Can you refer me now to any publications on that question?

Mr. BRANDEIS. I shall be very glad to send you a copy of a brief, which was prepared in connection with the Illinois 10-hour law, with which matter I was connected, dealing with the subject. I will have a copy sent to you.

Mr. STERLING. I shall be very glad to have it.

Mr. BRANDEIS. There is a part of it which deals with the economic result of shortening of days of labor.

Mr. YOUNG. Would not this depend very largely as to the number of hours men could be economically employed—I mean purely from a money standpoint—upon the intensity of the labor or the intensity of the application required? That is, a man would tire where the application was intense or the physical labor was intense sooner than he would where it was lighter, and he would be able to work economically a larger number of hours where the labor was light than he would where it was heavy or where it required intense, close application.

Mr. BRANDEIS. Of course the rule would be subject to variations, but I think it would be found, and I believe we can get the very best test of it by taking ourselves. I think every one of us knows that under varying conditions, according as we are fit or not fit, as I may express it, we are able to do 10 or 15 or sometimes 50 per cent more work. It depends upon the condition in which we are. We are not sick; we are perfectly well as far as it appears; but we are not in condition to produce the best results.

In dealing with these labor problems if we will always bear ourselves in mind, in our own little experiences, I think we will find that in a marvelous way reflected in labor; and all the study that has been made in recent years in regard to the effect of fatigue tends to show there is no difference in the real effect upon the worker between the fatigue of the physical and the fatigue that overcomes the intellectual worker. Nervous prostration, for instance, which we have always supposed was a part of the aristocracy of intellect, has developed itself in the trades. The German statistics are particularly valuable upon that point. It has developed itself in the most extensive way in the trades.

Mr. YOUNG. But among the trades requiring intellectual application.

Mr. BRANDEIS. Intellectual application? As a matter of fact, there is no work that does not require mind.

Mr. YOUNG. Certainly not.

Mr. BRANDEIS. Properly speaking, there ought to be no such thing as unskilled labor, because, as Taylor has pointed out, even that most menial labor of loading pig iron, picking it up from the ground and putting it into the car, can be performed by the man who knows how and who observes those rules in regard to it which have been developed by observation with much more ease and he can do infinitely more than the other man. In the case of shoveling, that is absolutely proved.

Mr. YOUNG. There is a matter of condition.

Mr. BRANDEIS. But as a matter of fact, it is absolutely true. We have ourselves, and we know whenever we undertake to do physical labor what the limitation is and how different it is whether we go upon it as fresh, healthy men and alert, among other things, eager. We have all found out that the best way to do good work is to have some leisure and some other avocation, to go at our work with vim, because we have had something to refresh ourselves with.

There is no difference between us and the ironworker in that respect at all. His recreation may be different from ours, as his work is different from ours; but they are all and we are all equally men and brothers, and if we bear that in mind, and as long as men do bear that in mind, there will be no such thing as inhumanity in these steel workers' condition.

Mr. STERLING. Mr. Chairman, we all should be at the House promptly to-day for a little while, and it is now 12 o'clock.

The CHAIRMAN. I would suggest that we adjourn until 2.30 o'clock, and in the event the vote is concluded by that time we can be here promptly. If we see we can not get through before 3 o'clock, it will be useless to attempt to proceed with the further hearing to-day, and I will notify the parties, and in that event we will meet in the morning at 10.30 o'clock.

Mr. BRANDEIS. If you will be good enough to notify your office, Mr. Chairman, I will be in communication with them. I shall be able to attend to-morrow, but I have to leave the city to-morrow afternoon, so I hope we can go on this afternoon.

The CHAIRMAN. I think we shall be able to go ahead, and in that event we will proceed at half past 2. In the event we do not get through with the vote in the House, we will proceed to-morrow morning at half past 10.

Thereupon (at 12 o'clock noon) the committee took a tentative recess until 2.30 o'clock p. m.; and thereafter adjourned until to-morrow, Tuesday, January 30, 1912, at 10.30 o'clock a. m.

No. 41

UNITED STATES STEEL CORPORATION

HEARINGS

BEFORE THE

COMMITTEE ON INVESTIGATION OF UNITED STATES STEEL CORPORATION

HOUSE OF REPRESENTATIVES

TUESDAY, JANUARY 30, 1912

WASHINGTON
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UNITED STATES STEEL CORPORATION.

COMMITTEE ON INVESTIGATION OF THE
UNITED STATES STEEL CORPORATION,
HOUSE OF REPRESENTATIVES,
Tuesday, January 30, 1912.

The committee this day met, Hon. Augustus O. Stanley (chairman) presiding.

The CHAIRMAN. Gentlemen, the committee will resume its labors.

Mr. REED. Mr. Chairman, before Mr. Brandeis resumes his statement, I desire to say to the committee that Mr. Farrell has asked me to make a correction of a statement which he made to the committee some time last week while he was testifying, to the effect that the Steel Corporation had not sold any material to the International Harvester Co. for five or six years.

Mr. Farrell finds, and asks me to say for him to the committee, that in the latter part of last year, 1911, the Carnegie Co. made a sale of some 34,000 tons of bars and other miscellaneous products to the International Harvester Co., the first sale that had been made for seven years.

Mr. Farrell asked me to state that that was done. I believe also the corporation sold a relatively small quantity of plates of some kind, but his statement should be taken with that correction. He either did not know it or forgot it at the time he made his general statement.

The CHAIRMAN. That correction will, of course, appear in this morning's record.

You may resume, Mr. Brandeis.

STATEMENT OF MR. LOUIS D. BRANDEIS—Continued.

Mr. BRANDEIS. Mr. Chairman and gentlemen of the committee, at the close of the hearing yesterday I was discussing the reasons which might exist for the statement made by Judge Gary that some of the men wanted to work 12 hours a day and would object to a lowering of the number of hours of labor, and I was referring to the earnings of the men and pointing out that 65 per cent of the labor employed was unskilled labor, and considering the rate per hour which that labor was receiving.

Mr. YOUNG. Does this relate to blast furnaces?

Mr. BRANDEIS. This general statement of the 65 per cent was not limited to blast furnaces, but was extended generally to the labor. Certain figures which I quoted were blast-furnace figures. There were two classes of figures which we were considering.

Mr. YOUNG. That would include just the manufacturing plants, or would it include mining?

Mr. BRANDEIS. Not mining. I was taking the figures from the report of the Commissioner of Labor, and the report of the Commissioner of Labor relates to points where distinctly the steel industry is distinguished from mining and transportation.

Mr. YOUNG. Is that his last report?

Mr. BRANDEIS. The date of it I have referred to and read. It is his report which went to press December, 1911, and in which he stated, in a memorandum, it was substantially true as of that date. The investigation was made mainly in May, 1910.

Mr. REED. I would suggest Mr. Brandeis might be asked, Mr. Chairman, if he has seen the article published by Mr. John A. Fitch in the Survey for January, 1912, in which Mr. Fitch, whom Mr. Brandeis recommends as an authority, gives the scale of wages for common labor paid in the Steel Corporation mills at Pittsburgh, in Pueblo, Chicago, by Jones & Laughlin in Pittsburgh, by the Lackawanna, Johnstown, Harrisburg, Bethlehem, and Birmingham institutions, and shows that the rate for common labor paid by the Steel Corporation in its Pittsburgh mills is higher than that paid by any other employer or at any other place in the United States. I have the figures here.

Mr. YOUNG. You mean in the steel industry?

Mr. REED. Yes.

Mr. BRANDEIS. I have not that particular passage in mind, but I presume it corresponds with another statement which I have that the rate paid by the Steel Corporation at Pittsburgh is 17½ cents an hour. That is the figure I was just about to call to your attention, Mr. Young, in connection with the question which you put.

Doubtless Mr. Reed remembers, as a citizen of Pittsburgh, that the Associated Charities of Pittsburgh have made an investigation into the cost of living in Pittsburgh. The basis of that investigation is to determine what bare subsistence will require for a family consisting of a husband, a wife, and three children. Note, this is bare subsistence for a workingman's family of that size. The associated charities find that in order for such a family to live, with the minimum, it will require in a year $768.

Gentlemen, if you will take the figures which Mr. Reed has just given you of 17½ cents per hour and go through the simple mathematical calculation necessary to determine how much a man will earn who works 12 hours a day 365 days in the year, you will find that it falls just $1.50 short of that minimum amount which the Associated Charities of Pittsburgh, in their investigation into the cost of living, found to be necessary for a man, his wife, and three children to subsist on.

Mr. YOUNG. Have you the items that make up that estimate of the associated charities?

Mr. BRANDEIS. I have not them here, but I shall be very glad to procure them and submit them to the committee at a proper time.

Mr. YOUNG. I would like to see them.

Mr. REED. I would like to suggest to the committee the death rate must be fearful among the employees of Jones & Laughlin, our competitors, who only pay 16 cents an hour against our 17½ cents an hour.

Mr. BRANDEIS. It may be that your neighbors are suffering. We are not here to extol your neighbors, and we have not investigated your neighbors, but we are investigating you, and we find here, taking the situation that your own associated charities in the city of Pittsburgh present, that when the man is working 12 hours a day seven days a week throughout the whole year he falls $1.50 short of having enough for his family to subsist on.

Mr. YOUNG. Is that the average of all the wages paid by the steel industry?

Mr. BRANDEIS. No; that is the average of all the common labor which consists on an average of 65 per cent of all the people engaged in the industry.

Mr. YOUNG. A good many of those people receive less than 17 cents an hour, do they not?

Mr. BRANDEIS. I understand the common labor—I can probably give the exact data from the report by looking it up—has an average of 17½ cents. Mr. Reed can probably tell us just how that average is divided and how many receive less than that.

Mr. YOUNG. I thought the other day you gave us a percentage of something like 12 per cent who received 14 cents an hour?

Mr. BRANDEIS. I was not then giving the figures for the city of Pittsburgh. Please note these figures which I am now giving are for the city of Pittsburgh.

You may be interested in this connection to know the difference between the city of Pittsburgh and, say, the other two great centers and the other one great center in which the Steel Corporation is interested—Chicago.

In Chicago the cost of living is less and the rate of wages is less. The associated charities at Chicago made a similar investigation, and at Chicago they found that a family could live on $630, but that the rate of wages at Chicago is somewhat less; I mean the average rate per hour is somewhat less; so that if a man works 12 hours a day, seven days in the week, 52 weeks in the year, he would earn, in Chicago, more than is necessary. In other words, taking into consideration the cost of living in Pittsburgh, with the rate of wages paid in Pittsburgh by the Steel Corporation, these men working all the time could not earn enough for bare subsistence; and I submit that the American standard of living requires something over and above and very different from bare subsistence for a family composed of man, his wife, and three children.

Mr. YOUNG. I suppose the value of these estimates would depend pretty largely on who made them, so I would like to suggest, with the permission of the chairman, that you include in your remarks, when you have finished, the statement of these items, so that the committee may have something from which to judge for themselves as to their value.

Mr. BRANDEIS. I shall be very glad to furnish them; but I suppose there can be no doubt, Mr. Young, that the persons who made this investigation are the character of persons who would have certainly no interest in securing other than a proper statement of the facts as to the cost of living in the community in which they live, because this is not like the Pittsburgh Survey itself—an investigation undertaken by people outside of Pittsburgh. This is an investigation undertaken by the philanthropic citizens of Pittsburgh into their own

situation; that is, so far as the cost of living is concerned. So far as the wages are concerned, you have that admitted fact—I mean everybody agrees upon the fact which Mr. Reed has stated in that respect.

Mr. REED. Would the committee like the exact figures given by Mr. Fitch in this statement?

Mr. YOUNG. I would like them.

The CHAIRMAN. We will have Mr. Fitch before the committee.

Mr. REED. Just in this connection, if the chairman will permit me to give the figures, Mr. Fitch says, on page 1529 of the issue of the Survey of January 6, 1912:

> The rate for common labor is 17½ cents an hour in the steel corporation mills in Pittsburgh. It is 17 cents in Peublo and in Chicago; 16 cents in the Jones & Laughlin plant in Pittsburgh; 15 cents at Lackawanna; and at Johnstown, Harrisburg, and Bethlehem it is from 15 cents down. In Birmingham there is a double rate. The Tennessee Coal, Iron & Railroad Co. pays 13½ cents and 15 cents.

The CHAIRMAN. In speaking of the Birmingham district, is he speaking there of the free labor or the convict labor, or both?

Mr. REED. He is speaking of free labor. The Tennessee Coal, Iron & Railroad Co. employs no convict labor.

The CHAIRMAN. When did it stop?

Mr. REED. Several months ago. Its competitors still do; but it employs no convict labor at all.

The CHAIRMAN. I am advised to the contrary by officers there very recently.

Mr. REED. My advice is about a month old, from the president of the company.

The CHAIRMAN. Mine is about 24 hours old.

Mr. REED. We will have to determine that if the committee still thinks this is relevant to the inquiry.

The CHAIRMAN. You may proceed, Mr. Brandeis.

Mr. BRANDEIS. With reference to the Lackawanna works, which I understand are at Buffalo——

Mr. REED (interposing). Yes.

Mr. BRANDEIS. It may be of interest to know that the Associated Charities of Buffalo have also made an investigation into the cost of living similar to that made in Pittsburgh and Chicago, and they find that in Buffalo the amount required for the family of the husband, wife, and three children is $560. That is, $560 in Buffalo as against $630 in Pittsburgh. At this rate, to which Mr. Reed has just referred, 15 cents per hour at Buffalo, a man working 12 hours a day, 365 days in the year, would earn nearly $100 in excess of that required for bare subsistence; so that the condition of the worker in Buffalo, at 15 cents an hour, is, according to that investigation, materially better than the situation of the worker in Pittsburgh at 17½ cents an hour.

Mr. REED. Assuming that the associated charities' figures are correct.

Mr. BRANDEIS. Assuming that the investigation into the cost of living is correct in both instances, or relatively correct.

Mr. YOUNG. I do not see how such an investigation could be made absolutely correct as between Buffalo and Chicago, leaving out Pittsburgh. My impression is that the difference of $70 must be made up

because of a different method of computation. I can not believe that it is cheaper to live in Buffalo than in Chicago.

Mr. BRANDEIS. Of course, I have no special knowledge on that, and all I can do is to make a suggestion. Very much in these instances depends upon the cost of rent. If I remember rightly, the data furnished by Mr. Fitch—and he will be able to give you the exact fact—as to the cost of living in Pittsburgh involve a relatively higher rental as compared with what I had known at other places.

Mr. YOUNG. I was not speaking about Pittsburgh. I was speaking of the difference between Buffalo and Chicago.

Mr. BRANDEIS. In regard to these other data, all I can say is this, which doubtless may be known to the members of the committee: That the social workers in a number of cities have been cooperating for a series of years for the purpose of ascertaining the actual cost of living. Much work of that kind has also been done by the Commissioner of Labor, and the independent organizations meeting annually, through the general conference, have been making these investigations. There has been an important investigation made in New York City, another one in Buffalo, others in Pittsburgh, Chicago, and at other places. They are in conference with one another, and they compare results. Whether these particular results were given, I can not say, because I have no knowledge; but I think it entirely probable that the various social workers are in constant conference with one another, and that when you have submitted to you, as I expect you will have, the data on this subject you will have the means of determining what the probabilities of error may be in one case and other.

Mr. Chairman and gentlemen, having taken that situation, having found here fearfully long hours and these inadequate wages, and comparing them with the facts which have already been developed before you and which are matters of common knowledge in this country, let us consider next the extraordinary profits earned by the Steel Corporation.

You will remember the United States Commissioner of Corporations has found that this corporation, in addition to the dividends which it has paid out in the 10 years or less than 10 years, added in value to its assets $435,000,000—that is, in addition to the dividends paid out; and that of the dividends paid out over $220,000,000 represents the dividends upon what the Commissioner of Corporations finds was "water" in the stock when it was issued—that is, all of the common stock being water and a proportion of the preferred stock being water, even allowing the very liberal estimates of actual value which the commissioner allowed in that calculation.

You have, therefore, this fact: That the corporation in 10 years has taken from the American people—mostly from the American people, because the exports, of course, were small—$650,000,000 at least in excess of the liberal return upon the value of the capital invested.

How, in America, can you explain or how can anybody explain a situation that, with that great fund of profit to draw on, there should result, in a great and conspicuous industry, a condition of work and of living, if living it may be called, affecting that large body of employees, such as we find here? I take it there is only one explanation, and it is this:

While this corporation is the greatest example of combination, the most conspicuous instance of combination of capital in the world, it has, as an incident of the power which it acquires through that combination and through its associations with railroads and the financial world, undertaken, and undertaken successfully, to deny the right of combination to the workingmen, and these horrible conditions of labor, which are a disgrace to America, considering the wealth which has surrounded and flown out of this industry, are the result of having killed or eliminated from the steel industry unionism. All the power of capital and all the ability and intelligence of the men who wield and who serve the capital have been used to make practically slaves of these operatives, because it does not mean merely in respect to the way in which they have lived, but the very worst part of all this is the repression. It is a condition of repression, of slavery in the real sense of the word, which is alien to American conditions.

Mr. YOUNG. Mr. Brandeis, have you made investigation into the wage paid in the steel industry since the Steel Corporation was formed, as compared with those paid, say, during 10 years or 20 years previously?

Mr. BRANDEIS. Yes, Mr. Young, I have.

Mr. YOUNG. That would be very enlightening, I judge.

Mr. BRANDEIS. I will give you the result of that in a few words.

Mr. REED. And the source of your information.

Mr. BRANDEIS. Yes, Mr. Reed, the source of my information, too. The source of my information on this, as on so many other questions, is largely faith, and to a certain extent the reports of the Commissioner of Labor.

This is the situation in regard to wages: As compared to the period to which you refer, Mr. Young—that is, going back 15 or 20 years, going back before the elimination of the trade-union from the Carnegie plant at Homestead—there has been a reduction, and a marked reduction, in the rate of wages, in the actual rate of wages paid skilled labor. That varies according to various kinds of labor from a very slight percentage to as high as 30 or 40 per cent.

Mr. YOUNG. You have not those figures tabulated, have you?

Mr. BRANDEIS. Those figures I can give you from Mr. Fitch's book.

Mr. YOUNG. I would like very much to have them.

Mr. BRANDEIS. And this is the truth, that in this skilled labor, in many instances, the earnings of the men who work 12 hours are less than those who work 8 or 10 hours at that time to which I refer. That is the first thing.

The second position is that there has been a constant tendency, a perfectly natural tendency, to reduce the number of skilled men relatively in the industry, so that the men who receive relatively high wages are a very much smaller proportion of the whole than they were in the 20 years ago to which you refer.

Mr. YOUNG. That comes from substitution of machinery.

Mr. BRANDEIS. That comes from the substitution of machinery in the advance in processes. But it is of infinite importance in considering the point of view which I desire to consider, which is whether these men live under conditions consistent with American democracy and American standards—because this is a very great number of

men, given, as I stated a few moments ago, 65 per cent of the whole being unskilled laborers who are working on an hourly basis.

When you take that hourly basis, there has been in the cents per hour an appreciable increase in pay, if you look only at the money that you receive. But when, instead of confining your investigations to the money which they receive, you take the increase also in the cost of living, then there has not been an increase, but there has been relatively a decrease in the actual purchasing power of the money.

Mr. YOUNG. What years do you compare?

Mr. BRANDEIS. I am comparing the precise years to which you refer. I take the year 1892, before the Homestead strike——

Mr. YOUNG (interposing). My question was whether you had compared 10 years since the Steel Corporation was organized, with the 8 or 10 years or 20 years previously. I thought perhaps 10 years would not be a fair comparison.

Mr. BRANDEIS. I have not the exact 10 years as to the Steel Corporation. I do not know that the data exist. I certainly have not the data.

Mr. REED. It is in Mr. Farrell's testimony.

Mr. BRANDEIS. Does Mr. Farrell's testimony also give the data as to the increase in the cost of living?

Mr. REED. No; he had not gone into that.

Mr. BRANDEIS. Unless you have the data as to the increased cost of living you are talking about something that does not cover the case.

Mr. YOUNG. It does not completely cover it.

Mr. BRANDEIS. It does not cover it at all.

Mr. YOUNG. It covers one side of it.

Mr. BRANDEIS. It gives just one side of it, yes; but nobody in considering the situation in America to-day, intelligently and fairly, would undertake to compare wages to-day with 10 years ago and not consider the increase in the cost of living.

Mr. YOUNG. Certainly not; but when you get one side of this equation, you have made that much advance and can follow it up with the other.

Mr. BRANDEIS. It may be an advance, provided you do follow it up; otherwise, it is simply misleading.

When you take that situation, you find no increase in wages; but what I want to speak of, Mr. Chairman and Mr. Young and gentlemen of the committee, is this, that the question here is not so much the question whether the number of cents per hour that this miserable creature receives is a little more or a little less. Whether it is enough, none of us are competent to determine. What we are competent to determine, sitting right here, as American citizens, is whether any men in the United States, be they directors of the Steel Corporation or anyone else, are entitled and can safely determine the conditions under which a large portion of the American shall live; whether it is not absolutely essential to fairness, for results in an American democracy, to say that the great mass of working people should have an opportunity to combine, and by their collective bargaining secure for themselves what may be a fair return for their labor. There is the fundamental question, and there is the question which is at the bottom of this situation. The denial of that right of collective bar-

gaining is an explanation of the miserable condition of the workingmen in the steel industry. Let us see what that condition is.

We have been hearing all these years, gentlemen of the committee, about a tariff which was to protect American labor. Read what the Commissioner of Labor says. He tells you that of the laborers or of the workingmen in the steel industry on which he reports 60 per cent are foreign born. Let us see what that means.

Of all the whites in America, taking the whole country together, about 14 per cent are foreign born. These steel industries are not like New York and Boston and Philadelphia, the places where immigrants come in and which arrests the immigrants as a sieve arrests the matter as it comes through—not that. If you are going to New York you will find a very much larger proportion of men foreign born, but with this steel industry scattered all over the country, largely in the central West and in the South and in the North, but not particularly in the East, they have a foreign population, foreign born, of 60 per cent of all the people there.

What is more than that, 40 per cent of these are of the Slavonic race, and a very large proportion of them can not read or write, certainly the English language.

What does that mean? It means the conditions under which these people live are conditions under which no American would live. No self-respecting man would live under these conditions of work, of hours of labor, or under the conditions of repression to which these men have been subjected.

Mr. REED. And your authority for that, Mr. Brandeis?

Mr. BRANDEIS. My authority for that is Mr. Fitch, and I would like to read for you a few instances of that situation; and I would like to read also for you and call your attention to another thing—that it is not accident, it is not accidental that the people who are working here represent the foreign born and the Slavonic race of the Mediterranean peoples as distinguished from the Anglo-Saxon people.

Mr. YOUNG. Do you mean that these men are brought in here in violation of the contract-labor law?

Mr. BRANDEIS. I do not know whether they are brought in in violation of the contract-labor law or not; but you know, Mr. Young, and everyone of us know, that any large employer of labor finds it perfectly possible, without entering into an agreement which is in violation of the contract-labor law, to attract, in one way and another, to his place people who would not come to America but for the attraction which is held out to them. I do not mean the Steel Corporation is by any means the only offender.

Mr. YOUNG. If you are giving a fair description of this situation there, there would not seem to be anything very attractive about it.

Mr. BRANDEIS. It may be extremely attractive for people who have not American standards and it may appear to be attractive to people who do not understand what they are coming to. But they may be perfectly willing—these Slavs and Roumanians and Syrians and Armenians—to come in; but what they are doing is to create conditions which are un-American, which are undemocratic, a condition of feudalism. They all displace American labor, displacing the people who in times past have made their start in the world and have lived well and developed into fine American citizens from the great steel

industry of which we were once proud. That is the difference, and that is a very marked difference, I want to show you, as bearing upon that situation that, as I say, this condition is not accidental that they have so many foreigners, that they have these people who are not familiar with American conditions and can not become so.

Mr. REED. While Mr. Brandeis is looking for his place in this Russell Sage Survey report I want to call attention to the fact, Mr. Chairman, that that Survey was so fairly made that when they printed a 300-page book on the inadequacy of compensation to injured workmen they put the United States Steel Corporation accident-relief plan in the minute type in a footnote at the end of the book.

Mr. BRANDEIS. I will come to that a little later.

Mr. REED. I hope you will.

Mr. BRANDEIS. I certainly will, if I have an opportunity.

The CHAIRMAN. Mr. Young has asked you, Mr. Brandeis, about the importation of foreign labor. Do you know and have your investigations led you to an inquiry into the alleged custom of having proprietors of sleeping houses and barrooms, usually combined, act as intermediaries for the securing of these Slavonic and Montenegrins and Syrian laborers? Have you investigated that phase?

Mr. BRANDEIS. I have heard of such, not specifically with reference to the Steel Corporation, but in other cases, and with respect to still other races than those you have mentioned, that that practice is not uncommon.

The CHAIRMAN. And as to Italians?

Mr. BRANDEIS. Yes.

I want to call the attention of the committee to what you will find in Mr. Fitch's book, at page 147, in connection with the time of the strike. I address your attention to this advertisement——

Mr. REED (interposing). The Homestead strike?

Mr. BRANDEIS. This is the strike of 1909, the Steel Corporation strike. Doubtless you will recognize the advertisement, Mr. Reed.

Mr. Chairman, the advertisement to which I refer reads as follows:

Tinners, catchers, and helpers, to work in open shops, Syrians, Poles, and Roumanians preferred. Steady employment and good wages to men willing to work; fare paid and —— 628 Penn Avenue.

Mr. YOUNG. What is that advertisement for help?

Mr. BRANDEIS. It is a clipping from a newspaper.

Mr. YOUNG. An advertisement for help?

Mr. BRANDEIS. Yes.

Mr. YOUNG. Who issued that?

Mr. BRANDEIS. Perhaps you would like to have me read what Mr. Fitch says in regard to it.

Mr. YOUNG. I would like to know from whom it came.

Mr. BRANDEIS. On page 147 of his book, in this connection, he says:

Nearly 30 years later, soon after the unions in the sheet and tin mills went on strike in July, 1909, the same note was struck in advertisements which appeared in Pittsburgh papers for men to work in nonunion tin mills. One such advertisement contained the statement, "Syrians, Poles, and Roumanians preferred." The advertisements were inserted by a Pittsburgh employment bureau, but it was evident that the men were wanted for the Steel Corporation mills.

The proof of the pudding is in the eating, Mr. Young. Men do not employ Syrians and Roumanians and Poles or Huns or any of the other people by accident. They know what they are doing; and when you find them employing 40 per cent of Slavs and 20 per cent of other persons of foreign birth in a community and in a country where there are so many hundreds of thousands of unemployed persons as there have unfortunately been in the United States, and are nearly all the time, you may conclude, I think, and any of us may conclude, that fairly the result was one that was contemplated and desired, particularly when it originates from one of the best and occurs in one of the best organized of all institutions in the world.

I say these are conditions which have driven out American labor; and the most important thing I want to impress upon you in regard to that is not merely the long hours or the low wages, but it is that it has been and is attended with conditions of repression the like of which you can not find, I believe, this side of Russia. These men are, or believe themselves to be, under a condition of espionage, subject to discharge if they undertake to discuss in any way with one another their grievances, their miserable conditions, with a view to forming a union or remedying their conditions.

Mr. REED. And your authority for that, Mr. Brandeis?

Mr. BRANDEIS. My authority is this very long investigation which Mr. Fitch made during his long residence in that neighborhood, and I ask you, Mr. Chairman and gentlemen of the committee, to examine him with great fullness upon that subject, because there is none which interests the American people as a whole so much as that proposition.

The CHAIRMAN. Mr. Brandeis, along that line you were asked by Mr. Reed for your authority, and I would inquire if you have investigated the condition on the Great Lakes; and do you know from reliable authority of instances in which the men employed on the boats of the Pittsburgh Steamship Co. were required to give up their union books and throw them into the lake in order to retain their places on the boats?

Mr. BRANDEIS. I have been told by what seemed to me to be a careful investigator that that was the fact.

The CHAIRMAN. I did not think that this question of the actions of the corporation against labor would be a question of discussion, since the minutes of the Steel Corporation show plainly and succinctly that they are opposed to organized labor. I put those minutes in the record.

Mr. BRANDEIS. I should hope, Mr. Chairman, that the American people would have upon the record all of the minutes and transactions of the Steel Corporation and its subsidiaries bearing upon that question.

Mr. REED. We are equally surprised, because the resolution of Congress creating this committee did not mention any such subject as that.

The CHAIRMAN. That part of it has already been published.

Mr. BRANDEIS. Mr. Young has asked for some authority, and I think perhaps he would like to have this statement, which will be found on pages 214 and 215 of Mr. Fitch's book:

I doubt whether you could find a more suspicious body of men than the employees of the United States Steel Corporation. They are suspicious of one another, of their neighbors, and of their friends. I was repeatedly suspected

of being an agent of the corporation sent out to sound men with regard to their attitude toward the corporation and toward unionism. The fact is the steel workers do not dare openly express their convictions. They do not dare assemble and talk over affairs pertaining to their welfare as mill hands. They feel that they are living always in the presence of a hostile critic They are a generous, open-hearted set of men upon the whole. The skilled men are intelligent and are able and glad to talk upon a variety of subjects. But let the conversation be shifted to the steel works and they immediately become reticent. It is safe to talk with a stranger about local option, the price of groceries, or the prospect of war with Japan, but it is not regarded as safe to talk about conditions in the steel industry. Concerning the most patent and generally known facts, intelligent men display the most marvelous ignorance.

Again he says:

When I met the men in their homes, too, there was suspicion to be broken down. Sometimes I could not get an opportunity to see the man whom I was seeking. Business engagements would suddenly be remembered which prevented an interview. Several men refused to talk about mill work. A highly paid employee of the corporation refused even to see me. I had been at his house, and finding that he was out I left word that I would return at a specified hour. Returning at the time named, my ring brought the housewife to the door, who told me that her husband was at home, but that he would not see me or talk to me, because the company had forbidden its employees to talk with strangers about mill work. Repeatedly I interviewed men who answered my questions guardedly, evidently in great perturbation of spirit, as if they feared that my visit boded them no good. Sometimes when meeting a workingman and explaining to him my desire to talk over industrial conditions he would say, protestingly, "But I haven't anything to say against the company," although I had not once mentioned the company. On several occasions at the close of an interview in which only the most careful statements had been made my canny informant chuckled in evident relief, "There, I haven't told you anything against the company, have I"? One man of long experience as a steel worker, who gave me a better insight into mill conditions than any other one person, remarked, "I used to write for labor papers a great deal, and sometimes I fairly burn to do it now—to declare before the world, over my own signature, the facts about working conditions in the steel industry. But I can't. It wouldn't be safe."

That condition in regard to the industry prevails, as Mr. Fitch's investigation shows very clearly, markedly, when it comes to the matter of the political activity of the corporation. As a part of this very desire to control everything, not content to stop with the control of the market, and extending to the control of their employees, they proceed to the control of the political organizations in the communities in which they live.

In this connection I call your attention to this statement at page 229 of Mr. Fitch's book:

It is commonly understood that the United States Steel Corporation is the dominant force in politics in the mill towns, except in McKeesport, where authority seems to be divided with the brewing interests.

Repeatedly I was told that workmen had been discharged at Duquesne for refusing to vote the way the company wished. I was told by one employee that he had been called into the office of his superintendent and remonstrated with for working against the company ticket, and an indirect threat was made of discharge. I was told by men of unimpeachable standing in Braddock, who were not steel-works employees, that in the spring of 1908, preceding the May primaries, men were induced to vote for the candidates favored by the corporation by promises of a resumption of industry if the right men were nominated. But the most damaging testimony that I received regarding the interference of the Steel Corporation in politics came from a source clearly authoritative.

For obvious reasons I can not give my informant's name. "A short time before the primaries of May, 1908," he said, "orders came from the New York office of the United States Steel Corporation, to the general superintendent of the Edgar Thomson plant at Braddock, directing him to order the department

superintendents to line up their employees for the Penrose candidates for the legislature. The general superintendent called a meeting of the department superintendents and delivered the orders. This created considerable dismay, for local option was an issue in the primaries, and the Penrose candidates were opposed to local option. Some of the superintendents were already prominently identified with the local option party and had been assisting in organizing the campaign. How they could with honor or self-respect abandon the issue at this point was not clear to the officials. But the answer to the objections was clear and to the point. They were told that their first duties were to the corporation. They must, accordingly, break any and all promises and work for Penrose, because the United States Steel Corporation wanted him in the Senate."

It is of no significance whether it was Senator Penrose or anybody else about whom they were talking; but the important thing is that the testimony, as furnished by Mr. Fitch—and I hope you will examine him fully on this point—shows that this power, this huge power, is wielded to control the lives of men outside of the mills as well as in them; and I say that there is only one way of meeting that situation, and that is a double way.

In the first place, we can not maintain democratic conditions in America if we allow organizations to arise in our midst with the power of the Steel Corporation. Liberty of the American citizen can not endure against such organizations.

The second is applicable not only to the Steel Corporation, but to hundreds of others: There is no hope for American democracy unless the American workingman is permitted to combine, and, through combination and collective bargaining, secure for himself the rights of industrial liberty.

No one can be more conscious than I am of the abuses of trade organizations. Their acts are in many instances acts to be condemned, acts to be opposed, acts to be suppressed; but they are like all the abuses of liberty with which we are familiar. We must maintain liberty, political liberty, in spite of its abuses, and we must maintain the liberty of combination, and encourage combination on the part of unions, but hold them up to a high responsibility of using well that power which is intrusted to them; and to my mind, if we once come to a time where, instead of fighting for their existence, their existence is assured them, and they fight only for their rights, a large part of the abuses of which we complain to-day on the part of organized labor will cease.

There is one important branch of this inquiry which I am sure Mr. Reed wishes me to enter into, and which I am as anxious to enter into as he may be; and that is, what has the corporation, in its capacity of despot and of absolute ruler, done for the benefit of its people? What has been, as it is called, the "welfare" work of the corporation?

Mr. Reed was afraid yesterday that I might forget their pension plan. On the contrary, there is no part of their work which I am more anxious to discuss and to bring to the attention of this committee.

They have recently established a pension plan, the pension fund being based in part on that gift which was made years ago for pension purposes by Mr. Carnegie, and the balance of it contributed by the Steel Corporation or its subsidiaries. Is that something to rejoice at or to regret? The first thought of everybody must be that

pensions for old age and for invalidity is one of the most commendable acts in which any employer can be interested, and particularly in an industry like this, which makes such ravages upon the strength and vitality of those who are engaged in it.

But this pension plan is not a pension plan by which these men may look forward reasonably with hope, but it is in fact only another one of the chains to rivet them to their employer and to deprive them of the liberty of American citizens.

What I am saying is not peculiar to the pension plan of the United States Steel Corporation. You will find this same characteristic in the pension plan of a number of the other large trusts and other concerns similarly situated and desiring similar ends. What is it? It is this—that the men entering that employ acquire no right whatsoever to a pension. There is a pension fund from which they may obtain a benefit, in the first place, if they remain with the company, and in the second place, if their conduct while in the employ of the company is such as to commend itself to the judgment and discretion of the officers of the company.

Let us see what that means. That as a man advances in years and begins to feel and see before him the possibilities of old age and the lessening or ceasing of his earning powers he finds himself bound absolutely to this corporation, not bound only to remain with them despite the conditions such as I have described, but bound also while he is with them not to do anything which may seem to the officers of that corporation to be disloyal or to be contrary to the welfare or the best interests of that corporation.

When you have, as here, a situation where the corporation stands committed before the world to that policy of eliminating trade unionism from its establishments, you have as a first condition of loyalty and of regard for the welfare of the corporation—that a man should abjure unionism, that a man should cease or refrain from joining with his fellow men to resent injustice and to improve his condition. It is a bribe, a new form of subjection into which the man is brought by this corporation, and it is to my mind one of the most serious elements in the labor situation to-day, because it is not confined to the Steel Corporation.

It is this desire, by a sort of offering to the laboring man of apparently something which is for his benefit, to cripple his freedom, and after a period of time, as years go on and men begin to apprehend what may be in store for them, that brings about the situation where you have all of these men who are within sight of a pension joining together as a solid phalanx to prevent any change.

Mr. REED. Would not the same result follow a raise in their pay?

Mr. BRANDEIS. Not at all. When you raise their pay they get each day, and each day as they go on, payment, and if that raise in the pay on the 1st day of January, 1913, is not what they think they are entitled to, without losing one cent they may go elsewhere and seek a higher rate of pay. They are paid as they go.

What ought to be the form of pension system? It is perfectly clear what it ought to be. It is perfectly clear the only form of pension system which ought to exist, indeed, so far as the legislative power of this country is concerned, the only form, ultimately, I believe, which we will permit, is this: A pension system to which employer

and employee both contribute, the employee from his wages and the employer as a part of his obligation; conferring upon each individual a right—an inalienable right—to the money which he has laid aside each week or each month or each year, to which he would be absolutely entitled; and what is more than that, a fund which is to be administered, not by the corporation as an act of charity, of discriminating and interested charity, but as a judicial exercise of right and equity and in which the employees shall have an equal say upon the board that disposes of those pensions with the employer himself.

Mr. YOUNG. In my State of Michigan some corporations proposed a scheme such as you suggest, and in each instance it has been opposed by the working men themselves, who thought it was unfair to them that they be required to contribute.

Mr. BRANDEIS. Yes, I have no doubt, Mr. Young.

Mr. YOUNG. Another thing: I speak of this simply to show the attitude of the men.

In the last Congress there was a bill introduced by Mr. Gillett, of Massachusetts, for the pensioning of men in the Government employ, which provided for a scheme of the kind which you suggest, and to which the Government and the employees might contribute. Another bill was introduced by a gentleman from New York which provided that the Government should furnish all of this money. From nearly every Government employee in my district I received a letter that they did not want this Gillett bill, saying, "We would rather have no bill. We want the Government to contribute all of this money." I think there is a large field for education for you right here among the beneficiaries of this scheme.

Mr. BRANDEIS. I am perfectly familiar with those bills. I consulted with Mr. Gillett with regard to that some years ago, originally at the suggestion of President Roosevelt.

There are two questions involved in the inquiry to which you call my attention. The first question is one as to whether the pension should be a contributory pension. The second is whether the pension, by whatever fund it shall be created, shall be a matter of right and not a matter of discretion.

The question to which you call attention, and as to which your constituents expressed themselves, was purely a matter of the contributory feature. I am very certain every one of them would have desired that whatever was to be the matter of the pension should be a matter of right.

Mr. YOUNG. If that is so, would it not be better to have that paid from day to day, as you suggest, in an increase of wages? Would it not be better for everybody?

Mr. BRANDEIS. I will tell you exactly what I think on this, because my views in the main are embodied in a bill which the Massachusetts Legislature passed in 1909, in which I acted for the employees of the Boston & Maine Railroad in securing that kind of a bill, which seemed to meet the requirements.

In the act of 1909 of the Commonwealth of Massachusetts it was provided that by vote of the corporation on the one hand, and of the employees of the corporation on the other hand, there should be established a pension system to be managed, if they both so voted, by a board of seven trustees, three to be chosen by the corporation, three to be chosen by the men, and the seventh to be chosen by the

six so chosen. This board, under the provisions of the act, should fix the amount of contribution. The bill provided that the men's amount of contribution should be equal to that of the corporation, provided and subject only to a certain provision that in no event should the pension be less, I think, than $200 a year, and that the corporation should make up whatever was necessary for that purpose. The amount to be paid by the men was to be deducted from the weekly pay roll and go directly into the pension fund.

There was security in that way, and there was a provision to create, when they should so vote, a pension which would give, as a matter of law, a right as inalienable as any right of the people of Massachusetts possessed by them under our law. It was expressly provided that the funds should be free from taxation, that they could not be taken on execution as to anyone's rights therein, and that they could not be assigned. It was the idea to give to each man an inalienable right to his share of that cumulative fund, which should be his.

Mr. YOUNG. In that instance he contributed a part of it?

Mr. BRANDEIS. He did contribute. I am perfectly clear in my own mind that every scheme of pension which we are developing in this country should be contributory, and as you have just said, if the wages or salaries are not sufficient to enable such contributions to be now made, the increase ought to be made, and the contribution ought to come half from them as a matter of education.

I am perfectly well aware that it will be absolutely necessary to educate a very large number of men, and I know of no reason in the world why the laborer should have wisdom superior to that of the employer. People need education. But the important thing for us to do is to see that a system, such as the Steel Corporation and other trusts and other large corporations have introduced, should not be introduced which takes from the individual workingman that little liberty which under present industrial conditions remains to him; and it is perfectly obvious that a discretionary system does take that away, not only limiting him as to his right of change, because if you go into another employ you will not have any pension awaiting you, and the employee is riveted to that establishment. He is not only riveted to that establishment, but he is also prohibited from exercising liberty in the way of trying to remove grievances, because he is in constant peril lest he do something that may be deemed disloyal; and under the terms of this pension scheme, to which Mr. Reed refers, his danger does not even end when he comes to the period of fruition, because the pension may be taken away for what this board of employers may deem to be misconduct, and an act may be deemed to be misconduct which is nothing more than helping his fellow workers to improve their condition.

So much for the pension scheme.

What is the other scheme about which so much has been said—the profit-sharing scheme?

Let me say, before passing, instead of speaking in a commendatory way of that pension scheme, it seems to me the proper designation for it would be "pensioned peonage," because that is the condition which it seeks to create.

Mr. REED. You still have not told us why a raise in pay would not have a like result, for the poor, deluded creatures would want to hold their jobs.

Mr. BRANDEIS. They do not have to look forward a day for their raise of pay. When you raise their pay they get the full compensation each day, and the next day, if there is any chance of improving, without losing anything, without losing anything that dangles before them, they can go into another employ, and they can work. They do not lose anything. But this pension business is a business that absolutely destroys their freedom, because it places them in this situation: When they get a little along in years, they have the prospect before them of this pension, held out before them, that by holding on and holding on and enduring these excessive hours of labor without murmur, then they will be deemed loyal, and that is the inducement that is held out before them.

Mr. REED. But the evidence shows the Steel Corporation pays higher wages than any of its competitors; so you see they are held in peonage by that.

Mr. BRANDEIS. They are not held in peonage by that, because, apparently, the competitors—possibly because conditions are better among competitors—are able to get workmen in the same cities by paying less. I do not know what the facts may be, but it looks to me like it may be that working in Jones & Laughlin's shop may be undoubtedly pleasanter than working in the Steel Corporation, because men do work in Jones & Laughlin's shop for 1½ cents per hour less than for the Steel Corporation.

I do not know what the facts are, but I merely suggest that as a possibility.

I now come to the next question, and that is the question of profit sharing. You have heard something about that, also covering the two branches—the bonus system and the stock-purchase system. Let us see what this is.

In the first place, this bonus system is something of which workingmen with whom I have been speaking have perhaps the strongest reason to complain rather than to commend, because that bonus, as you know, is given not to these workingmen whose plight I have been endeavoring to describe, but is given to the managing officials, high and low.

Mr. YOUNG. By the bonus system you mean the $5 extra——

Mr. BRANDEIS (interposing). No; that has reference to the stock purchase. I am referring now to that distribution from a given fund, which is made——

Mr. YOUNG (interposing). I know what you refer to.

Mr. BRANDEIS (continuing). Yearly by the corporation to those who are deemed deserving.

Mr. YOUNG. I understand now what you refer to.

Mr. BRANDEIS. I say that distribution is limited, and limited very strictly to specific classes of people, namely, those who have managing responsibilities, and the men to whom I have referred are not at all in that class, or rarely, if ever, does one get into that class.

As to how it is divided, it may be interesting to have a sample. In one of the plants out of 1,000 or more employed only 72 received a bonus. Of that number 52 were superintendents, assistant superintendents, and foremen. Nine were mechanical and civil and elec-

trical engineers and their assistants. Six were in the mechanical department—employees and laboratory chiefs. Five were in the office administrative force.

In respect to those 52 who were the managers, superintendents, and foremen, you have a condition which is precisely that of which the workingmen are most fearful. You are giving not only the ordinary incentive to the foremen to drive the men, but you are giving an especial incentive by a bonus which he receives and which in many instances amounts to a very large percentage of his fixed salary.

On that question you have this apprehension of the men in regard to speeding up, and, as Mr. Fitch has brought out very clearly, the increased production of the steel corporation per plant has by no means been due wholly to improvement in processes and in machinery. It has been due in part to the working of the men harder, to driving them on, and, as you know, this bonus is but one of the many ways of driving men on. That is what they are afraid of.

They look, therefore, upon this bonus system, in whose benefits they can in no way hope to share, as a special injury to them, because it gives an incentive to the foremen to push and drive them on to greater effort.

Mr. YOUNG. This statement, I take it, you make now from your own personal knowledge?

Mr. BRANDEIS. I make it upon the statements of Mr. Fitch, and I would like to read to you just what Mr. Fitch says upon this subject.

Mr. REED. Mr. Brandeis told the committee yesterday, if I remember his testimony, that he had never made any personal investigation of any of these subjects.

Mr. BRANDEIS. I have never been in the steel works, and I have never made any inquiry of operatives myself, but I have endeavored to familiarize myself to a certain extent with the results of the investigation made by the Commissioner of Labor and that made by Mr. Fitch, as a part of the Russell Sage survey at Pittsburgh.

Mr. YOUNG. And your entire statement is based on these two works?

Mr. BRANDEIS. As to the facts. So far as my stating opinions is concerned, I am wholly responsible for them.

Before reading those references I want to speak of that other method, the profit-sharing method, about which Mr. Young just asked me, namely, that incident to the purchase of shares.

In the first place, Mr. Chairman and gentlemen of the committee, it is an entire misnomer to speak of that as "profit sharing." It has no relation necessarily to profits at all, as you will see. Of what does it consist? Each year the Steel Corporation offers to its employees, in certain proportions, a certain amount of stock, preferred, and I think in some years also possibly common, at a price slightly below the prevailing market price, with the opportunity of paying for that stock in installments within three years. Of course, so far as that goes, that is a mere opportunity to purchase stock.

The next point is that if, after that stock has been paid for, the employee remains in the employ of the company five years, and if he receives a certificate to that effect, a certificate practically of approval of his conduct, he will receive in addition to the ordinary dividend on that stock, taking now the preferred stock, a bonus at the rate of $5 a year. That is, he will get $25 addition as a bonus at the end of five years, provided he has complied with two conditions, after the

stock has all been paid for, of remaining in the employ and holding the stock five years, and being good in the eyes of the corporation.

Mr. REED. Where do you find anything in the plan about being good, Mr. Brandeis?

Mr. BRANDEIS. This is what I find in the plan as to being good——

Mr. YOUNG. I suppose if a man were to be discharged within the five years he would lose his bonus?

Mr. BRANDEIS. Oh, yes. They do not mean that; that is not the point. He has to be in the employ during the five years. I am not taking the case of his having been discharged during the five years.

Mr. YOUNG. I thought perhaps that was what you meant.

Mr. BRANDEIS. By no means.

Mr. YOUNG. That he would so conduct himself that he was not discharged?

Mr. BRANDEIS. Oh, no; by no means. That would be perfectly reasonable position.

But this is the situation: It must be found by the appropriate officer of the corporation that "he has shown a proper interest in its welfare and progress."

Do you think anybody who has undertaken to induce his fellow employees to join a steel workers' union would be held by the corporation officials to have shown a proper interest in its welfare and progress?

Mr. YOUNG. Do you know of any instance where men have lost their bonus by reason of having joined a union, or, in fact, by any conduct that was disapproved of by the commission?

Mr. BRANDEIS. I do not, and I think it would be mighty hard to make that investigation—for anybody ever to find it out.

Mr. YOUNG. The man who has been discharged would be glad to tell.

Mr. BRANDEIS. Yes; but of the 30,000 or 40,000 people, will this committee undertake an investigation to find out whether that is so?

I do not care whether one was discharged or none; the existence of such condition as that shows it is another one of those methods which the corporation adopts to rivet men to it. It is absolutely an unfair provision.

I say this fact shows you also that it has no relation to profits at all, and this is what I wanted to call to the attention of the committee. This corporation binds itself to pay to those persons who remain as employees for five years, and who are loyal and sedulous of the welfare of the corporation, in the opinion of its officers, whether there are profits or no profits, $25.

But that is not all. There is another provision in there which is of great significance, and the morality of it I would like this committee to consider. In addition to this fixed and binding agreement to pay, at the end of five years, as compensation for continuing as an employee and stockholder, and being deserving, there is another provision as follows:

The corporation agrees to pay that $5 a year into a fund, regardless of whether the stockholders, these persons who subscribe, these employees who have subscribed, carry out their subscription. Obviously a large number of them are going to lapse; some of them because they can not pay; others because they may think it advisable to sell out the stock. Some of this preferred stock at 124, under

one of the subscriptions, may be worth, perhaps, to-day 110 or 111. It has been worth very much less. People may have thought it was desirable to sell out, whether it be because the man did not want to continue to pay or whether it was because the man thought it inadvisable, or whether it was, as Mr. Young has just inquired, because he was thought loyal or deserving. At any rate, a large number of these subscriptions lapse. But the corporation has to put into the fund the $5 for each one just the same, and what happens with that $5? The aggregate of the $5 representing lapsed stock is distributed among the produire and faithful subscribers at the end of the five years.

The number that lapses is by no means inconsiderable. It was so considerable on the first subscription that those who did produire for for five years received, in addition to their $25, their bonus and their regular dividends, the sum of $65.04 a share in 1908, which was the expiration of the first five-year period. That is explained by the fact that there was a very heavy lapse rate, and as a matter of fact I think the largest lapse rate of any period.

Mr. YOUNG. That was the subscription made in what year?

Mr. BRANDEIS. The subscription made in 1903, which was the year, as I recall it, when this plan was inaugurated.

Mr. YOUNG. What was the stock worth?

Mr. BRANDEIS. I can find out by looking up the report of what the stock was worth at that time.

Of the 47,551 shares subscribed for, 35,112 lapsed. You see about three-fourths of the stock lapsed, and the result was that the surviving subscribers received that bonus.

Mr. YOUNG. I should judge they must have received in the bonus considerably more than they paid for the stock in that year.

Mr. BRANDEIS. I do not know whether they did or not.

Mr. REED. That is the fact, Mr. Young.

Mr. BRANDEIS. They certainly received an extremely large amount. They received $65.04, and in addition to that the $25, and in addition to that the $7 a year of dividend on the preferred stock.

Mr. BEALL. Have you any information as to the particular classes in which these lapses occurred?

Mr. BRANDEIS. I have not, Mr. Beall. I desire very much to have that information, and I suggest your committee call upon the corporation to furnish that.

Mr. REED. That has been done, and is now in the record that is before the committee.

Mr. BRANDEIS. It has already been done?

Mr. REED. Yes.

Mr. BRANDEIS. Whatever it is, this is really a gambling transaction. I ask you, gentlemen of the committee, whether it is not precisely the transaction which came up for so much discussion in the Armstrong investigation in connection with the tontine preferred dividends? It differs in no substantial respect from the much criticized tontine preferred dividend, except this, that the men who went into a tontine operation were sure that if they complied with the conditions and were fortunate enough to live, they would get their share. But the Steel Trust employee who goes into this operation has no such assurance. He must do something else. He must so conduct himself that the corporation shall find him deserving; and do you

think, Mr. Chairman and gentlemen, that a man who undertook to be active in connection with trade unionism would be found to be deserving of this tontine dividend?

There, Mr. Chairman and gentlemen of the committee, you have some fair samples of welfare work, and there remains only to speak in this connection of what they have done for accident relief and safety work.

From all the information I have been able to gather, there have been in very recent years most admirable, most commendable and intelligent efforts on the part of the Steel Corporation to reduce the accidents. The men specifically in charge of that work have, I am told, given to it rare intelligence and great zeal, and the corporation has gladly afforded to those men whatever was required in the way of money to meet the needs. It is also true that in the year 1910 the corporation introduced a system of compensation for accidents to supplement their safety work.

But when you are considering the very commendable work that they are now doing, do not be misled into believing that that work which they are doing is a natural incident of this huge corporate organization. Bear this in mind, gentlemen: This commendable work which they have undertaken in connection with accidents, in the prevention of accidents and compensation for accidents, has been done, and their activities and their plan have been developed, not as a part of the early development of their business, but have come at a time and after largely the great criticism which the social workers of this country and the writers have made in connection with the labor conditions in the industry.

As early as 1907; certainly as early as that, William Harr wrote an article in one of our periodicals calling attention to the "making of steel and killing of men." That, I believe, was the first publication, certainly of any widely distributed publication, which called attention to these horrible conditions. Then the Pittsburgh Survey entered upon that work of investigation, and there has been, of course, very much discussion of the needless and heartless accidents in the industry. The corporation has followed, not led. They are to be congratulated, and the community is to be congratulated that they have followed. But it shows, Mr. Chairman and gentlemen of the committee, that the situation is this: Even this rich and ably managed corporation can not be allowed to determine the conditions under which American citizens shall live and work. The power of the corporation must be conserved and the power of the workers must be increased by encouraging combination among them and collective bargaining, if we are to maintain democratic institutions in this country.

I thank you, Mr. Chairman and gentlemen of the committee, for your long and patient attention.

The CHAIRMAN. We are very grateful to you, Mr. Brandeis, for your very able and interesting elucidation of this subject.

Mr. YOUNG. Mr. Brandeis, may I inquire if you appear in response to a subpœna or voluntarily?

Mr. BRANDEIS. I appear, Mr. Young, in response to a request from the chairman that I should present to the committee such facts and considerations as I might have in relation to the labor policy of the corporation. I had previously referred to that subject in a hearing

before the Senate Committee on Interstate Commerce, but had not gone into it fully.

Mr. YOUNG. Do you represent any body of workmen, organized or otherwise, by whose request you appear here?

Mr. BRANDEIS. No. As a matter of fact, I have had no communication with any body of workmen. It has been merely a matter of the convictions which I have formed myself.

Mr. YOUNG. And you appear voluntarily as a citizen, without any employment whatever?

Mr. BRANDEIS. Wholly in that way, Mr. Young.

Mr. REED. Before the subject is dropped, and in order that the record may be complete, at this point I want to call attention to the fact that at the present time a committee of stockholders of the steel corporation is investigating the subject of labor conditions with a view of correcting anything that is found to be unjust or improper; they are making a personal investigation.

Mr. BRANDEIS. I should like to ask Mr. Reed, in order that the record may be complete on this point, whether that committee of stockholders was one that originated with the board of directors or executive officials, or whether it originated with a stockholder, who has for some time been desirous of calling the attention of the stockholders to the unfortunate conditions of labor in the steel industry?

Mr. REED. The thought seems to have originated with Mr. Cabot, of Boston, whose resolution for such an investigation was supported by Judge Gary at the annual meeting of the stockholders, when Judge Gary held the proxies of a majority of the stock.

Mr. BRANDEIS. Mr. Chairman, in order that the exact facts in respect to that investigation may appear, I respectfully request that the committee ask the steel corporation for a complete transcript of all the correspondence between Mr. Cabot and his counsel or his associates, and the steel corporation on this subject, and the replies thereto, and of such action as has been taken by the corporation, and by the committee, with reference to that matter. I hope it will be procured, as I think it will be very illuminating to the committee.

The CHAIRMAN. I suppose there will be no objection to furnishing that correspondence, Mr. Reed?

Mr. REED. I do not know of any reason why we should object to that, Mr. Chairman.

The CHAIRMAN. Mr. Brandeis, you speak of the evil effect of political activities on the part of a great concern like this as impairing the independence of the voter. I wish to call your attention to an excerpt from the minutes furnished the committee by Mr. McRae.

On June 11, 1906, in the minutes of the Carnegie Co., I find this statement by Mr. Bope:

A number of other very important matters came up during the week, which developed later, so there does not seem to be a great deal of lack of confidence in the future among the buyers. They seem to feel that things will come out all right in the end, and with the adjournment of Congress I believe business will go right along.

Mr. YOUNG. What date is that?

Mr. REED. Those are the minutes of the sales agents.

The CHAIRMAN. June 11, 1906. These are the minutes of the board of directors of the Carnegie Steel Co.

These investigations have naturally caused a little doubt in the minds of men as to just what is going to happen. We are going into a new era, and like every

case of that sort, where men can not see what is ahead of them, they hesitate a little. The same condition prevailed six or seven years ago, when the large combinations of capital began to be formed, which marked a new era in the industrial world. These things were a benefit at the time and are a benefit to-day; yet, on account of the abuses which some of them have undoubtedly been guilty of, we will have to figure that there will have to be some sort of control or regulation, and we will have to take it and make the best of it. I do not know but what it will be better to have these things done by Republicans than by Democrats. A great many people fear this advocation may cause the election of a Democratic Congress this fall, and I believe legislation of this kind would have a worse effect upon business if enacted by a Democratic than by a Republican Congress. I wanted to mention these things because they are actually occurring, and are having some effect upon commercial conditions.

Mr. BRANDEIS. May I ask who said that?

The CHAIRMAN. Mr. Bope, one of the directors of the Carnegie Steel Co.

Mr. YOUNG. Did you not give the date wrong—1906?

The CHAIRMAN. No, sir; it is June 11, 1906.

Mr. YOUNG. I thought it must be a later date, from the subject matter.

The CHAIRMAN. On July 6, 1908, I find a statement from Mr. Bope, as follows:

Mr. Bope said in part: "The political situation is holding matters a little, people waiting, not because they have any doubt about Bryan's nomination but to see what the Democratic platform is going to be. If very radical, it will stop things perhaps for a couple of weeks until it can be digested, but people will not hold off everything because they are anxious to go ahead. After this is out of the way and the campaign really begins, I believe that the sentiment will be so strongly in favor of Taft that it will carry business along with it just as it did in 1896."

I wanted to ask you about the propriety of concerns of this kind considering and acting upon political conditions.

Mr. BRANDEIS. I think, Mr. Chairman, the fact that they do act upon political conditions simply adds to the many dangers to democracy which are inherent in these huge aggregations.

Mr. REED. These quotations which you have just made are from Col. Bope's weekly market reports, are they not?

The CHAIRMAN. No, sir; they are from the minutes of the board of directors of the Carnegie Steel Co.

Mr. REED. In which he makes a weekly report of the market conditions to the directors.

The CHAIRMAN. I do not know how they came in here. I was surprised to find an industrial concern was incumbering its record with a discussion of political affairs, and the evil effect of it would be that they might, having that active interest, be inclined to use coercive methods in connection with those dependent upon them.

Mr. REED. I fancy you will find in those same minutes references to weather conditions and crop conditions and everything else that affects business conditions.

Mr. YOUNG. There is a call of the House, Mr. Chairman, and I move we adjourn.

The CHAIRMAN. Unless there is objection, the committee will now stand adjourned subject to call of the chairman.

Thereupon, at 12.30 o'clock p. m., the committee adjurned subject to the call of the chairman.

No. 42

UNITED STATES STEEL CORPORATION

HEARINGS

BEFORE THE

COMMITTEE ON INVESTIGATION OF UNITED STATES STEEL CORPORATION

HOUSE OF REPRESENTATIVES

FRIDAY, FEBRUARY 2, 1912

WASHINGTON
GOVERNMENT PRINTING OFFICE
1912

UNITED STATES STEEL CORPORATION.

COMMITTEE ON INVESTIGATION OF THE
UNITED STATES STEEL CORPORATION,
HOUSE OF REPRESENTATIVES,
Friday, February 2, 1912.

The committee met pursuant to adjournment, Hon. Augustus O. Stanley (chairman) presiding.

STATEMENT OF JOHN A. FITCH, ESQ.

The witness was duly sworn by the chairman.

The CHAIRMAN. Mr. Fitch, have you been engaged in any personal investigation of the industrial and physical conditions of the steel workers in the plants of the United States Steel Corporation?

Mr. FITCH. I have.

The CHAIRMAN. How long have you been so engaged?

Mr. FITCH. I spent 11 months in Pittsburgh in 1907 and 1908, and from September, 1910, until the 1st of July, 1911, I was engaged in such an investigation. In the latter period of the investigation, however, 1910 and 1911, I devoted a considerable amount of time to other properties than those of the United States Steel Corporation.

The CHAIRMAN. Explain to the committee under what auspices you were working, how you happened to take up this work, at whose suggestion, and under whose employment?

Mr. FITCH. In 1907 a magazine published in New York, called then Charities and the Commons, which is now known as the Survey, undertook an investigation of the living and labor conditions of Pittsburgh. I was at that time a student in the University of Wisconsin, and Prof. J. R. Commons was asked to go to Pittsburgh and undertake the supervision of an investigation into the labor conditions for publication. I went with him as his assistant, and later on I was retained throughout the year to carry on an investigation independently of conditions in the steel mills.

Then, having completed that investigation, I wrote two or three articles for Charities and the Commons and later wrote a more extended treatment, which was published in book form, called "The Steel Workers." Then, having severed my connection with the magazine, I returned to them in the fall of 1910 in order to carry on an investigation of conditions of the steel workers throughout the United States, under a fund which had been given to the Survey by a man deeply interested in those conditions, who wished to know about conditions in mills other than in the Pittsburgh district.

The CHAIRMAN. Was that Mr. Cabot?

Mr. FITCH. Charles M. Cabot, of Boston.

The CHAIRMAN. He is himself a stockholder in the United States Steel Corporation, I believe?

Mr. FITCH. Yes; he is.

The CHAIRMAN. You have explained your employment under the Sage Foundation?

Mr. FITCH. I was never employed directly by the Sage Foundation.

The CHAIRMAN. They contributed to the work?

Mr. FITCH. The Sage Foundation contributed toward the investigation made by the magazine, and I was employed by the magazine.

The CHAIRMAN. Have you ever written anything on the subject?

Mr. FITCH. I have written magazine articles and a book. The book, I may say, was published directly under the auspices of the Sage Foundation.

The CHAIRMAN. Were your articles ever submitted before publication to the concerns which they discussed and whose business affairs they treated of?

Mr. FITCH. All my articles have been submitted to the persons chiefly interested in advance of publication.

The CHAIRMAN. What was your idea in submitting those articles to those attached to the work of the Steel Corporation? Did you submit them to the Steel Corporation?

Mr. FITCH. I submitted all the material in my book to the president of the Carnegie Steel Co., not to the officials in New York, because it dealt chiefly with conditions in Pittsburgh and the works of the Carnegie Steel Co. I did that because that is a regular policy of the Survey Magazine. When we publish an article which discusses in detail the policy of a company or a person we always submit the article to that person or the officials of that company in advance of publication, so if we have made any mistake it can be called to our attention, and so, if they wish to discuss the matter with us, opportunity may be given for that before we go to press.

The CHAIRMAN. I will let you state, Mr. Fitch, in your own way, first, and then we will ask such questions as we deem advisable with reference to the conditions, physically and industrially, governing the employees of the plants of the Carnegie Steel Co. at Pittsburgh and other plants which you have investigated.

Mr. REED. Mr. Chairman, would it not be well, before going onto that general subject, to let the witness state what was the result of the submission of his book to the president of the Carnegie Steel Co.?

The CHAIRMAN. Yes; you may state that, Mr. Fitch.

Mr. FITCH. I went up and had a talk with Mr. Dinkey, the president of the Carnegie Steel Co. There seemed to be very little to discuss. That happened between three and four years ago, and I do not now recall the exact conversation, but I do recall that the only objection that Mr. Dinkey had to make was that I was biased. He said he was sorry I was biased entirely on the side of the worker.

The CHAIRMAN. Did he point out any errors of fact in your book?

Mr. FITCH. I recall that he objected to a part where I quoted him. I do not recall that he made any objection to any other statement of fact. As a result of that, I eliminated the quotation.

The CHAIRMAN. That quotation does not appear in the book to which he objected?

Mr. FITCH. No.

The CHAIRMAN. You may state in your own way the conditions which you have investigated as to hours of labor and other conditions.

Mr. FITCH. I have some matter which I desire to present to the committee. It is somewhat extended in form, but I think I can cover the whole situation, and in this way perhaps lay a better foundation for you to ask the questions which you may have in mind.

The CHAIRMAN. You may proceed in your own way.

Mr. FITCH. The committee has before it the report of the Bureau of Labor on conditions in the steel industry. It seems, therefore, rather unnecessary for me to say anything about hours of labor or wages, for the bureau report is full and complete. I will state, however, briefly what I know from personal investigation and without regard to the Bureau of Labor report. Throughout the country in the steel industry the standard working day in manufacturing processes is 12 hours long. Such information as I have been able to get directly from steel companies would indicate that the 12-hour workmen are in the majority. There are very large numbers of workmen engaged in processes other than manufacturing, such as machinists, molders, blacksmiths, and repair men. Their working day is generally 10 hours long. It has been the practice, however, to extend these hours whenever necessary. Ten-hour machinists may work 12 hours, and repair men usually work until a breakdown is repaired, however long that may be. I have talked with men who have worked 24 hours, 36 hours, and even 48 hours continuously, without rest, in repairing a breakdown.

I might say, however, my understanding is the Tennessee Coal & Iron Co. has placed a limit of 20 hours on such a repair job.

Mr. BARTLETT. On a breakdown job, you mean?

Mr. FITCH. Yes.

My investigations have led me to believe that in the period from 1908–1911 from 20 to 30 per cent of all employees in steel mills worked seven days a week. During the year 1911 a plan has been adopted by the United States Steel Corporation designed to give all employees one day of rest in seven. This plan has not been adopted by all the subsidiary companies of the Steel Corporation. It is being tried in a number of them, however, and to-day that corporation is not the offender in this respect that it was a year ago.

It is very difficult for me to give any figures regarding wages other than the common-labor rate. There are so many different classes of employees in the skilled occupations that a complete statement of wages paid would be a very elaborate schedule. I can, however, give the common-labor rate, and that this is a significant rate, because more than 60 per cent of all the employees are unskilled laborers and receive that rate. This rate in the mills of the United States Steel Corporation in Birmingham, Ala., is 13 and 14 cents an hour. In Chicago it is 17 cents, and in Pittsburgh it is 17½ cents.

This rate, in fairness I might say, is higher than that paid by the independent companies usually in the same district.

Mr. BARTLETT. Are you going to show how the independent companies maintain the hours of labor? Do you mean by that that all the steel companies pay that rate?

Mr. FITCH. I mean the rate per hour is usually a little higher in the Steel Corporation mills.

Mr. BARTLETT. Do you mean those hours of labor applied to the independents as well as to the others?

Mr. FITCH. The hours of labor are practically the same, though the seven-day week has been rather more extensive in the independent mills than in the Steel Corporation mills.

In Chicago and Pittsburgh the associated charities have recently made careful studies of the cost of living and have arrived at conclusions as to the income necessary in their respective cities to provide a bare subsistence for a workingman's family, including husband, wife, and three children. They put the figure at $630 in Chicago and at $768 in Pittsburgh. If a common laborer works 12 hours a day 365 days a year in the Chicago mill he will earn about a hundred dollars more than the minimum estimate. If he takes his Sundays off and works 12 hours a day for 313 days he will just about make it. But if the period of employment drops to 300 days, which is better than the steel companies have been doing for some time, his income will not reach this minimum standard of decency, even if he works 12 hours a day. And if he works only 10 hours a day he will not reach this minimum even by working 365 days in the year. In Pittsburgh if a man works 12 hours a day for 365 days in the year for the Steel Corporation, at 17½ cents an hour, his income will be $766.50, which is a dollar and a half less than the minimum standard.

The CHAIRMAN. Can you furnish us, further on, what the associated charities consider a bare subsistence and of what elements it is made up?

Mr. FITCH. I have with me the complete study that was made by the Pittsburgh associated charities. I have not the same thing for Chicago, but I can secure a statement showing the different items. It never was stated as completely as the Pittsburgh showing, however.

The CHAIRMAN. That is what I wanted.

Mr. FITCH. Turning now to other conditions in the industry, there are a number of things which the United States Steel Corporation has done in the last three or four years to which I wish especially to direct your attention. Four years ago the steel mills of this country were notorious for the injuries which the workmen were constantly receiving. Not only the accident rate, but the death rate from accidents was very high. It is still very high in some mills in this country, but the United States Steel Corporation has succeeded in materially reducing this rate in the last four years through a safety policy which is at once unique and effective. I can not discuss this policy in detail. It is enough to say that through protective devices at dangerous points the Steel Corporation mills are setting standards for the industry.

But more important than this is the safety organization, which has enlisted not only the managers but the workmen themselves in a campaign for safety. There are men in charge of the safety work in each plant who are responsible for safety and not for output. The

work that these men are doing, together with that of the general safety committee of the United States Steel Corporation, is one that can not be too highly commended.

The Steel Corporation has recently formed a welfare committee which is looking into the question of health and sanitation. I know less of the work of this committee than I do of the safety committee. It has not been in existence so long. But if it does its work as well it will contribute very much to the welfare of American workingmen.

Of other plans that are being worked by the steel corporation I can not speak with so much pleasure. The compensation plan of the corporation is one that is in many ways creditable to it. It provides for a definite and sure compensation in case of accident, so that an employee need no longer run the gamut of the common-law defenses before he receives anything in return for the injury that he has sustained. But whether intentionally or unintentionally the compensation plan is admirably designed to curtail the freedom of the men. If a man has been working less than five years for the Steel Corporation when he gets hurt he receives only 35 per cent of his weekly salary as compensation. After five years the amount of compensation increases 2 per cent for each year.

Thus, if a man would receive anything like adequate compensation, he must work for the company for a long time. He must be careful, then, not to conduct himself in such a manner as to be in danger of discharge. Of course, it is eminently desirable and reasonable, taken from the standpoint of the Steel Corporation, that its men should remain a long time in its employ, but this scheme would be more nearly fair if adequate compensation were paid regardless of the length of time the man had been in the company's employmen. The brewers' association and the brewery workers' union have recently worked out together a compensation plan which provides that the injured man shall receive 65 per cent of his weekly wages regardless of the length of his employment. To receive the same rate of compensation an employee of the Steel Corporation will have to remain in the employ of that company 20 years.

Mr. BARTLETT. Sixty-five per cent of his compensation is paid for how long, Mr. Fitch? In the last statement you made as to the brewers' association he received 65 per cent of his wages for what year?

Mr. FITCH. I do not recall all the details of that plan. For temporary disability he receives 65 per cent of his wages——

Mr. BARTLETT (interposing). So long as he remain disabled?

Mr. FITCH. For a definite length of time, but I do not now recall what that is. If what appears to be a temporary disability runs into what could be a permanent disability, the 65 per cent is continued for quite a period of time.

Mr. BARTLETT. The laws of the United States in some cases provide that when a person engaged in some service, like the Life-Saving Service, is injured he shall receive one year's pay. I want to know how long a time the 65 per cent of his wages continues, whether during the time he is permanently disabled, or whether it is like accident insurance, which gives so much a week for permanent disability for so many weeks.

Mr. FITCH. I can furnish you that information.

Mr. BARTLETT. I will be glad to have it.

Mr. FITCH. If he is permanently disabled, as I recall it, his 65 per cent goes on indefinitely, or a lump sum may be paid equivalent to what his dependents would have received in case he had been killed instead of injured.

Mr. BARTLETT. Taking into consideration the longevity tables as to how long he might live?

Mr. FITCH. Yes.

Mr. MCGILLICUDDY. Is there any provision in that compensation scheme whereby the employee waives his right to recover any legal damages at the common law or under the statute?

Mr. FITCH. To which scheme do you refer?

Mr. REED. Perhaps I can give the information.

Mr. MCGILLICUDDY. I shall be glad to have it.

Mr. REED. The plan is fully voluntary on the part of both employee and corporation. After the accident the employee has the option. He may either sue at common law, or he may take the accident relief. Nothing done before the accident by him or by the company binds him to elect before the accident which he will do.

Mr. MCGILLICUDDY. But he must elect after the accident?

Mr. REED. After the accident; yes. He can not have both.

Mr. MCGILLICUDDY. How soon after the accident must he elect?

Mr. REED. Any time; except he must apply for his relief within, I think, 90 days, if he expects to get it.

Mr. MCGILLICUDDY. If he applies for and accepts relief, under your scheme of compensation, he waives any common-law or statutory right?

Mr. REED. He is required to give a release when he accepts the compensation.

Mr. GARDNER. Does the witness know whether the Brewers' Association arrangement is similar?

Mr. FITCH. I think it is.

Mr. REED. I would like to interject a further remark, that there is nothing in this compensation plan that resembles the usual compensation plan adopted by the railroads, which binds the men in advance of the accident to take the compensation and surrender their common-law relief.

Mr. BARTLETT. That sort of contract by many courts is held not binding anyhow.

Mr. REED. It has been held binding in Pennsylvania.

Mr. BARTLETT. And held not binding in Georgia by a recent decision.

The CHAIRMAN. It has been held in Pennsylvania that if a railroad runs over a farmer's cow and kills the cow, they can sue the farmer for trespass on the railroad's property.

Mr. REED. It has been held that any person whose negligence is the proximate cause of an accident is responsible to the company; yes.

The CHAIRMAN. You may proceed, Mr. Fitch.

Mr. FITCH. The pension plan of the Steel Corporation is also admirably suited, whether so intended or not, to limit the freedom of activity of the employee. Pensions are good things in industry. There is need of some such system; but in a single company it can not have any other effect than the limiting of the spirit of independence of the workmen. As a man grows older he will think several

times before he will protest against conditions which he considers unjust lest he be discharged and lose his pension. Of course, the Steel Corporation has the privilege of discharging any of its employees at any time that it sees fit. No one would question that; yet it was thought wise for some reason to insert the following statement in the general regulations of the pension fund, section 26:

Neither the creation of this fund nor any other action at any time taken by any corporation under the provisions of the fund or by the board of trustees shall give to any employee a right to be retained in the service, and all employees remain subject to discharge to the same extent as if this pension fund had never been created.

The so-called profit-sharing plan of the Steel Corporation is also designed to limit the independence of the workmen. It is not a profit-sharing plan, properly speaking, because it extends only to those employees who buy stock. Such employees receive a bonus each year for five years of $5 for each share of stock. They also are to receive an extra dividend at the end of five years made up of the bonus fund which has accumulated owing to employees failing to pay for their stock or leaving the employ of the company. But the rules of this profit-sharing plan read that employee stockholders may receive these extra dividends and bonuses not as a matter of right but at the pleasure of the corporation. And they are to be paid only to those men who have "shown a proper interest in its welfare and progress." As to the extra dividend, coming at the end of five years—

The corporation will then, by its own final determination, award to each man whom it shall find deserving thereof as many parts of such accumulated fund as shall be equal to the number of shares then held by him under this plan.

Consequently, in spite of welfare work and in many cases because of it, the United States Steel Corporation constitutes a serious menace to the well-being and peace of the people. The power exercised by this corporation is entirely inconsistent with the political principles upon which our Government is founded. Communities are in many parts of the country silenced because of the fear that exists that the steel company may remove its plant and throw men out of employment and thus injure the community if the community offends the steel company. It is because of this fear that religious and civic organizations have failed in the past to protest against labor conditions which they knew were bad.

But the power of the steel companies is most unrestricted and most effective over the men who work in the mills. In order to understand this fully one must realize what the policies of the Steel Corporation are, and have been for years, with respect to the freedom of action on the part of their employees. It was brought out before your committee some time ago that as early as 1901 the executive committee of the Steel Corporation went on record as opposed to organized labor. Since that time a consistent fight has been made by the Steel Corporation against all the unions to which any of its employees have belonged.

Mr. REED. You do not mean to include railroad unions in that, do you, Mr. Fitch?

Mr. FITCH. I will exclude the railroad unions, because I have not looked into that under the corporation business.

In 1901 they loosened the grip of an already weakening union among the steel workers; in 1909 they completed the work by eliminating that union absolutely. In 1908 the Pittsburgh Steamship Co., the most important member of the Lake Carriers' Association, and operating the ore boats of the Steel Corporation, refused to deal longer with the Lake Seamen's Union, and apparently brought the Lake Carriers' Association into line in the same policy. During the strike on the Great Lakes which followed, the Lake Carriers' Association officers refused to accept an invitation from the boards of arbitration of the five States surrounding the Great Lakes to state their case before them. In the strike of 1909, in which the Steel Corporation finally eliminated the Amalgamated Association, the attempt of the State Board of Arbitration of Indiana to bring about conciliation was refused.

To quote from the Seventh Biennial Report of the Indiana Labor Commissioner for 1909–10, page 84:

> Responding to the request of the Labor Commission of Ohio, the Indian Commission went to Pittsburgh to join the commissions of West Virginia and Ohio in an effort to accomplish something that might end the strike. At Pittsburgh the representatives of the American Co. (meaning evidently the American Sheet & Tin Plate Co.) were more arbitrary than local representatives, and refused to confer with the joint commission.

The methods employed by the United States Steel Corporation to keep its plants nonunion are many. First, there is the secret-service department, of which George Preston, of the Carnegie Steel Co., is the head. Just how this system operates probably no one but Mr. Preston could tell. That its operation is effective, however, is testified to by workmen and union officials. No meeting can be held to discuss conditions of employment and ways of bettering them without the Steel Corporation being furnished with a list of names of those who attended. As a result of this system, the workmen in the steel company mills are suspicious not only of strangers but of friends. No man knows but that his next-door neighbor is a spy, and so these men hesitate to speak their minds openly and fear to act as independent citizens.

It should be noted that this policy is more than a nonunion policy; that it is more than an objection on the part of the company to that sort of activity which tends to hamper business; it is a denial of the right of an employee to any voice regarding the conditions of his employment. It is not so much unionism that is under the ban as it is freedom of action. Men have been discharged at Homestead both before the formation of the Steel Corporation and after that date not for making unjust demands but for attempting to promote an organization whose possible demands could not have been known at the time the leaders were discharged. Within two years at Gary men have been discharged in large numbers, not for making unjust demands, not for trying to interfere in the business of the steel company, but because they attempted to form some sort of organization. So far as the company had information, and so far as any expression from the men was concerned, the organization that the men were attempting might have been for social purposes only. But the company took no chances. It discharged the men.

As further evidence that the United States Steel Corporation is opposed to independence rather than unionism, let me cite the case

of a group of men in the Edgar Thomson plant at Braddock, Pa. A group of men there a few years ago, engaged in similar work, drew up a petition asking for an eight-hour day. They said in the petition that they would be willing to accept a reduction in wages, if that were necessary, to secure the shorter work day. They signed this petition and sent it to the superintendent. The amount of consideration it received may be judged from the fact that no reply ever came back to the men.

I once received an intimation from the headquarters of the United States Steel Corporation in New York that the head officials of the company did not approve of this policy and that it would be agreeable to them to have such petitions sent directly to New York.

The CHAIRMAN. Who gave you that intimation; Judge Gary?

Mr. FITCH. Judge Gary; yes.

In consequence of this intimation Mr. Paul U. Kellogg, managing editor of the Survey Magazine, wrote to a department superintendent in a Pittsburgh mill and suggested to him that he draw up a petition asking for one day of rest in seven and get his men to sign it and send it to the New York office. We knew this man to be a rather important official, drawing a large enough salary to have enabled him to accumulate property, and we thought that he was in an independent position.

The CHAIRMAN. About what was that salary; do you know?

Mr. FITCH. I have no way of knowing. I should hazard a guess at $4,000 or $5,000.

We also know that he was opposed to seven-day labor. His reply to this suggestion was that he did not want to be discharged and was not ready to resign. Therefore he thought he would not circulate the petition. Since that time I have in a number of cases suggested in personal conversation with highly skilled and well-paid employees of the steel corporation who seemed to be dissatisfied with certain conditions of their employment, that they write to headquarters in New York. Their replies have invariably been similar to that of the Pittsburgh superintendent. Not one of them believed in the power of the New York office to protect him from his own immediate superior.

The most striking examples of the attitude of the steel corporation toward collective activity on the part of its employees were given during the strike of 1909 in the sheet and tin mills. During that strike there were things done on both sides which no right-thinking person can approve. But, of course, an unjust act on one side does not justify an unjust act on the other. At Apollo, Pa., there was demonstrated in a rather remarkable way the power of the steel corporation over a community and over its employees. Apollo is just across the Kiskiminetas River from Vandergrift, where the largest plant of the American Sheet & Tin Plate Co. is located. This was and is a nonunion mill. In carrying on the struggle, however, organizers of the Amalgamated Association went to that community for the purpose of organizing, if possible, the employees of the Vandergrift mill. They went to a little hotel in Apollo called Park's Hotel, managed by Mr. and Mrs. T. J. Parks. Attempts were made then to secure a building in which to hold meetings, but no one would let them have a building.

The CHAIRMAN. How large is that town?

Mr. FITCH. I never was in it but once, and I never looked up the census figures, but I should hazard a guess that 2,000 or 3,000; perhaps more than that.

The situation was summed up in a local paper, the Apollo Sentinel, on Friday, July 30, 1909, as follows:

Recently a number of men representing the ironworkers' union were run out of Vandergrift and Vandergrift Heights. Failing to find shelter in either of those towns, they came to Apollo and have been endeavoring to organize the men, with headquarters at Apollo. The sentiment is strong against them among the business men of the community, and a large majority of the mill men are opposed to them, although they have a following among a few of the younger men. The organizers have been endeavoring to hold a mass meeting, but have been unable to secure a suitable place.

After failing to secure a building, they made an effort to hold an open-air meeting, but have been unsuccessful in securing a lot. Thursday evening a citizens' meeting, including merchants and mill men, was held with the organizers and with Burgess Steele and they were warned to leave the community.

I spent a few hours in Apollo in September, 1911. The testimony was universal that the organizers behaved themselves and kept within the law, and yet the business men of the town held a meeting, presided over by the burgess—that is, the mayor of the town—for the purpose of warning those citizens to leave. Finally the organizers did secure a vacant lot upon which to hold a meeting. Even then the owner of the lot came and tried to give back the money that had been paid him for the lot, saying that he could not continue doing business in Apollo if a union meeting were held on his property. Nevertheless, the meeting was held late in the afternoon. After it was over some strange things happened. Citizens of Appollo told me that a man named Lindquist, a superintendent of a department in the Vandergrift mill, came over to Apollo at the head of a mob of men and ordered the organizers to leave town. Mr. T. J. Parks, proprietor of the little hotel where the men were stopping, told me that Lindquist threatened to tear his hotel down if he did not force the organizers to leave. Exactly what happened after that I do not wish to attempt to say, because there are conflicting reports, but Burgess Steele told me that he came down to the hotel and acted as intermediary between Lindquist and the organizers, and that he, Steele, got the organizers to agree to leave early the next morning. He carried this message back to Lindquist, he says, and then Lindquist went away.

The CHAIRMAN. You refer to "Burgess Steele." Is that the mayor of the town?

Mr. FITCH. Yes, sir; the mayor of the town.

Steele also said that he went down to the hotel the next morning in company with another representative of the steel company to see to it that the men kept their promise. Lindquist, who was last September still in the employ of the steel company, denies the whole story. There are, however, numerous affidavits in connection with the matter which aver that not only these things which I have related did occur, but other things as well. Since this affair in 1909 Mr. Parks tells me that he has been unable to secure any steel workers as boarders at his hotel. About half a dozen were boarding there when this affair took place and they were obliged to leave.

The matter which I have thus presented is the result of my own investigation and conversation with business men in Apollo. I would like, however, to read statements of some of the union men. I have here the journal of proceedings of the National Lodge of the Amalgamated Association of Iron, Steel, and Tin Workers, held in Fort Wayne, Ind., in 1910. There is a statement on page 8912——

Mr. REED (interposing). Will the chairman permit me to object to this as heresay?

The CHAIRMAN. Yes.

You may proceed Mr. Fitch.

Mr. FITCH. This statement is signed by Robert Edwards, and this journal says it was sworn to by him. I will read part of his statement:

After the adjournment of the meeting at or about 7.15 o'clock p. m. he. in company with William Edwards, David Watkins, Reese Jones, John Edwards, and four others, returned to the Parks Hotel, where they were registered guests; that at or about 8.30 o'clock p. m. Oscar Lindquist, superintendent of the Vandergrift Works of the American Sheet & Tin Plate Co., called at the hotel and asked for an interview with him; that he, together with William Edwards and David Watkins, went to a room with Lindquist, who asked them what their business was. On being told Lindquist said that they were not wanted there and that they would have to leave. Deponent claims that they were exercising their rights as American citizens as guaranteed to them by law. That Lindquist then replied that his word was the law; that he was the Scottish chief in that valley and that what he said must go. That Lindquist told Edwards and his companions that he would give them one hour to get out of town, and if they failed to do so, he would get them out, if he had to burn the hotel down. That while this interview was taking place a crowd had assembled on the street outside the hotel, upwards of 200 people being present; that the crowd remained about the hotel until about 12 o'clock midnight, when Burgess Steele, of Apollo, came to the hotel and told them that his, the burgess's, power was gone, and that he could not control the crowd any longer, and that they should only be appeased by the promise that the organizers would leave town the following morning, and that was the only way by which he could avert bloodshed; that the promise was given to burgess, and that he, the burgess, in company with another man, returned to the hotel on the following morning to see that the organizers would leave on the first train.

On page 8914 of the same journal of proceedings I desire to read part of a statement by J. D. Pierce. Mr. Pierce, as I understand, was an organizer of the American Federation of Labor. He says:

About 8 o'clock that night Mr. Oscar Lindquist, an official in the trust mill at Vandergrift, appeared in front of the hotel in an automobile, heading a mob of about 400 people. Mr. Lindquist came into the hotel, and calling the proprietor to one side, made a demand upon him that he immediately turn the union men out of his house, and when the proprietor refused, threatened that he would lead the mob and take them out by force and destroy the hotel, and publicly declared he was the law in this valley, and was backed by the United States Steel Trust.

The proprietor again refused his request, and told Mr. Lindquist the men were his guests and he proposed to protect them, if possible, against violence.

Mr. Lindquist then approached the chief of police, John Kennedy, and openly offered him money if he would leave the place for half an hour. This offer was also refused, and Mr. Lindquist was told by Mr. Kennedy that he would do everything in his power to keep the peace. After two or three hours of demonstrations and all kinds of threats, and finding that the people refused to be bullied by him or his mob, Mr. Lindquist and his thugs withdrew.

At that time there were four employees of the Vandergrift mill boarding at the Parks Hotel. Mr. Lindquist immediately notified them that they must leave that hotel or lose their jobs; result, the men had to leave.

Further orders were issued by Mr. Lindquist that if any employee was caught talking or in any way associating with the union men their jobs would be up, and several men did lose their positions for exercising their right to speak to whom they pleased.

Our time on the lot having expired and the owner refusing to allow us the use of it any more, no matter what we were willing to pay, we sought other quarters, and quickly learned that the trust officials had been busy and tried to prevent us from securing any place where meetings might be held.

We eventually found a man whom the trust did not own, and one they could not frighten, and he rented the union a room. Mr. Lindquist tried to reach this man and buy him off, and when he did not succeed, issued orders again that any employee caught entering the union hall would be discharged, and surrounded the building with his spies. As near as we could learn, about 30 men lost their jobs for exercising their right to spend their time outside of the mill where and with whom they pleased.

Wives of some of the millmen were interested in the union meetings, and as their husbands could not attend without losing their jobs, the wives came to the meetings. They were reported by the spies to Mr. Lindquist, and the husbands were called into the office and told their wives must not attend the labor meetings or the husbands would lose their jobs. The men did lose their jobs, because the wives exercised the right to go where they pleased.

Mr. GARDNER. Are you through with that particular affidavit?

Mr. FITCH. Yes.

Mr. GARDNER. Do you believe that is a fair and unexaggerated account?

Mr. FITCH. I got the same testimony from citizens of Apollo, who were not associated in any way with either the steel company or the union.

Mr. GARDNER. Do you believe that——

Mr. FITCH (interrupting). To answer your question directly, I do believe it.

On page 8916 of the same journal of proceedings I find this statement:

PARKS HOTEL,
Apollo, Pa., December 28, 1909.

To whom it may concern:

Having read the statement of J. D. Pierce as regards conditions which now and in the past exist in this valley, I can truthfully say they are the truth in every particular.

ALBERT UNGAFER.

PARKS HOTEL,
Apollo, Pa., December 28, 1909.

To whom it may concern:

Having read the statement of J. D. Pierce as to the conditions existing in the past and at present in this valley, I wish to state that they are absolutely true.

Being proprietor of the Parks Hotel, I can verify everything said, and can add the following to the same:

"That on Sunday morning, July 31, the day after the mod, led by Mr. Lindquist, appeared at my hotel, the burgess, Mr. Steele, together with his brother and the superintendent of the trust mill at Saltsburg, Pa., A. L. Hammit, appeared at the hotel, and the burgess again ordered the union men to leave, the trust official offering them any amount of money they might name if they would go.

The burgess made it so strong that the union men decided it wise to leave for a few days until the excitement died down, and after refusing any assistance from the trust officials left my hotel and took the train out of Apollo.

T. J. PARKS.

On the same page I find also this statement:

PARKS HOTEL,
Apollo, Pa., December 28, 1909.

To whom it may concern:

Having read the statement of J. D. Pierce can truthfully say that his statement as regards what occurred on the night of July 30 at the Parks Hotel is correct.

JOHN KENNEDY,
Chief of Police of Apollo, Pa.

I do not wish to be misunderstood in my attitude in regard to the matters which I have been discussing. The steel business is full of high-principled men. There are men in it also who are not so high principled. Yet I have no doubt a great many of them honestly believe that their policies are right. In spite of the fact that there are such men, however, I wish to reiterate my statement that the Steel Corporation wields a power such as to make it a menace to the well-being and peace of the people. I have talked with many of their employees, and I know that their attitude toward labor is creating bitterness in all parts of the country. The resentment that men feel over having their liberties and rights interfered with in the manner that I have described is keen and growing. I believe that the Steel Corporation is embarking upon a policy designed to make the physical conditions in its plant excellent, even ideal; but thinking, red-blooded American workmen do not want welfare work so much as they want rights. They do not care nearly so much about sanitation as they do about justice. Their feeling on this subject is so intense that I firmly believe that the peace and order of many American communities are being increasingly endangered as time goes on and freedom and speech and action are denied to steel workers.

The CHAIRMAN. Either in your book or in conversation you have mentioned a meeting of steel workers in Pennsylvania, where they had a semblance of a union, to agree on a scale of wages, at which they attempted to have this meeting themselves. Do you know whether they succeeded in that or not?

Mr. FITCH. I do not believe I know just to what you refer.

The CHAIRMAN. You gave me an instance, I believe, in conversation, where they were notified by one of the officers of the company across the river——

Mr. FITCH (interrupting). Over the phone?

The CHAIRMAN. Yes. Recount that instance, if you will.

Mr. FITCH. Lewellyn Lewis was, two years ago, a vice president of the Amalgamated Association of Iron and Steel Workers. He told me last fall that some time ago—he did not say just when—a meeting of delegates of various locals of the union was held in Youngstown, Ohio, to consider a wage scale. Mr. Lewis for some reason was unable to attend the meeting. He arranged with one of the men to call him over the long-distance telephone at his home in Martins Ferry, Ohio, and tell him just what action was taken. He said across the river in Wheeling, W. Va., a district manager of the American Sheet and Tin Plate Co. lived, and that in the afternoon of the day this meeting was held in Youngstown this district manager called Mr. Lewis up on the telephone and said that he would tell him what action had been taken in Youngstown. He did give him the scale of wages that had been agreed upon and also told him how all the locals had voted. Mr. Lewis said a few minutes after that his own man in Youngstown called him on the long-distance telephone and gave him exactly the same information, and that the official of the steel company across the river had been right in every detail.

The CHAIRMAN. Was that a complicated scale?

Mr. FITCH. Those wage scales are complicated. I do not know about this particular one. I should suppose it was, if it covered the whole industry.

The CHAIRMAN. Have you made any investigation personally of the nationality of the Steel Corporation workers in the city of Pittsburgh?

Mr. FITCH. I have secured some information. I have some figures on that.

The CHAIRMAN. Just state what it is and where you got the figures.

Mr. FITCH. The figures I have were for the year 1907 and may or may not be correct to-day. I secured them, however, from the president of the Carnegie Steel Co., for the Carnegie mills in Allegheny County.

Do you wish any statement in regard to that?

The CHAIRMAN. Yes; just explain it and give us the statement.

Mr. FITCH. As regards nationality in that statement—it is a long detailed statement, in which are grouped the different races together, according to whether they were of Teutonic, Celtic, or Slavonic origin.

I found, out of 23,337 employees at that time employed in Allegheny County, Pa., 5,705 were white Americans and 331 were colored Americans. Of the foreign born, 1,820 were or Teutonic origin, 1,401 of Celtic origin, 13,003 of Slavonic, and 1,077 were of other races not specified.

The CHAIRMAN. State how many of them spoke English, in that connection.

Mr. FITCH. Thirty-two per cent were reported as being non-English speaking.

Mr. BARTLETT. May we find out what proportion, if any, of those were naturalized or American citizens.

Mr. FITCH. Sixty per cent, approximately, were unnaturalized.

Mr. BARTLETT. Sixty per cent foreign born?

Mr. FITCH. Of the whole number, 40 per cent were naturalized and native-born American citizens.

Mr. MCGILLICUDDY. That is, of the 23,000?

Mr. FITCH. Yes.

Mr. BARTLETT. Could you give any comparisons of what they were as to those under the age of 21 and over? Have you got anything of that sort?

Mr. FITCH. I think I have that. Two hundred and fifty-four were under 16 years of age; 2,022 were from 16 to 19 years of age; 9,683 were from 20 to 29 years of age; 6,945 were from 30 to 39 years of age; and 4,433 were 40 years and over.

Mr. BARTLETT. That is, taking the whole?

Mr. FITCH. Yes.

Mr. BEALL. In connection with what Mr. Fitch just said, Mr. Chairman, in regard to the number of laborers who were foreign born, may I read a paragraph from the report of the Bureau of Labor?

The CHAIRMAN. Certainly.

Mr. BEALL. On page 16 that report says:

Another striking characteristic of the labor conditions in the iron and steel industry is the large proportion of unskilled workmen in the labor force. These unskilled workmen are very largely recruited from the ranks of recent immigrants. For the industry as a whole not far from one-half of the 91,463 employees in the productive iron and steel occupations included within this

investigation were of the class of unskilled workmen. In the blast-furnace department, the largest single department in the industry, more than two-thirds of the 24.722 employees in productive occupations were unskilled laborers, a large proportion of whom do not yet speak or understand English; and even in the South the number of immigrants employed in the industry is rapidly increasing.

Taking the employees in all occupations in the industry, nearly 60 per cent are foreign born, and nearly two-thirds of the foreign born are of the Slavic races.

The CHAIRMAN. Right in that connection, as to these Slavs and these Bohemians and Hungarians and men from the Balkan States and southern Italy, do you know what their occupation was before they came over here?

Mr. FITCH. No. I could get no information as to that that would be worth anything, because I think it would take a census of the industry. My impression was a very large number were farmers, and the investigation of the Bureau of Labor tends to bear that out. I do not remember now what proportion that was, however. I think they found something over 50 per cent to have been agricultural laborers or farmers.

Mr. GARDNER. Are Bohemians classified?

Mr. FITCH. I think they are classified as belonging to the Slavic race.

Mr. GARDNER. I have been there myself, and I know they classify them in that way.

Mr. FITCH. I am not an expert on ethnology, but my impression is they have been so classified.

Mr. GARDNER. A large number of them are. There are two distinct races, one Teutonic and the other Slavic.

Mr. BARTLETT. Referring to the number of workmen under 16 years of age, how many of them did you say there were?

Mr. FITCH. These figures are for the Carnegie Steel Co. in Allegheny County and are 4 years old. There were 254 under 16 years of age.

Mr. BARTLETT. Out of the 23,000?

Mr. FITCH. Yes.

Mr. REED. And those have been discharged, have they not, Mr. Fitch?

Mr. FITCH. I do not know.

Mr. REED. But it is a fact, is it not, that you have learned in your recent investigation that neither the Carnegie Steel Co. nor any other corporation subsidiary employs in any factory in Pennsylvania any young man or woman under 16 years of age?

Mr. FITCH. I am glad to know that, but I never heard it before. I never made inquiry.

Mr. BARTLETT. What kind of work did the workers under 16 years of age do?

Mr. FITCH. From my observation, I would say most of them are what they call "pull-ups." They operate levers that pull up the doors of the furnaces; not heavy labor, but requiring rather constant attention.

Mr. BARTLETT. Can you state what wages they got for that character of work?

Mr. FITCH. I have no information on that.

Mr. BARTLETT. What were the hours of labor for that class of employees—the same as others?

Mr. FITCH. The same as the other workers, usually 12 hours; yes.

Mr. BARTLETT. And on Sunday, too?

Mr. FITCH. I think not.

Mr. REED. I may say that the corporation's policy at the present time and for some years past has been not to employ any person under 16, except as messenger boys in the offices.

Mr. BARTLETT. This was in 1907, I understood Mr. Fitch to say?

Mr. FITCH. Yes.

Mr. REED. Mr. Fitch's figures are for 1907; yes. That policy is defeated, I ought to say, from my personal knowledge, by the false affidavits that are given by the parents of some of these boys.

Mr. BARTLETT. I understand that.

Mr. REED. But wherever we can we employ nobody under 16 years of age.

Mr. MCGILLICUDDY. Is there a statute forbidding it in that State?

Mr. REED. There is a statute permitting it under certain conditions, over the age of 14, providing a school certificate and an affidavit by the parents are furnished. But the company has refused to take advantage of that permission, and refuses to employ anybody under 16 years of age.

Mr. MCGILLICUDDY. How long has that been the policy?

Mr. REED. I am only hazarding a guess at it, but I think it is at least three years.

Mr. BARTLETT. At that time, in 1907, was the Carnegie Steel Co. a fair sample of what was being done by the steel manufacturers in Pennsylvania generally? Is that company a fair indication of the situation?

Mr. FITCH. As regards employees of that age—young boys?

Mr. BARTLETT. Yes.

Mr. FITCH. I think so. That is only a guess.

Mr. BARTLETT. Would you say that the figures or the proportion of foreign-born employees and native-born employees in the Carnegie Steel Co. was a fair sample of the other steel corporations in Pennsylvania?

Mr. FITCH. I always supposed it was; but, as I say, you would have to have a census to have any adequate information.

Mr. BARTLETT. I understand that; but I want your opinion about it.

Mr. FITCH. Yes.

Mr. BARTLETT. This is a fair representation of what was the condition of the steel workers and laborers in Pennsylvania at that time?

Mr. FITCH. In western Pennsylvania.

Mr. BARTLETT. At that time?

Mr. FITCH. Yes.

The CHAIRMAN. You will put into the record those tables which you quoted from and which appear in your books?

Mr. FITCH. Yes, Mr. Chairman.

The tables referred to are in the words and figures following, to wit:

MAKE-UP OF LABOR FORCE OF CARNEGIE STEEL CO., ALLEGHENY COUNTY PLANTS.

TABLE A.—*Employees of Carnegie Steel Co. plants in Allegheny County, Pa., showing race, skill, conjugal condition, etc., March, 1907—By racial group.*

	Total number of employees.	Skilled.		Semiskilled.		Unskilled.		Naturalized.		Unnaturalized foreigners.		Married.		Single.		English speaking.		Non-English speaking.	
		Number.	Per cent.	Number.	Per cent.	Number.	Per cent.	Number.	Per cent.	Number.	Per cent.	Number.	Per cent.	Number.	Per cent.	Number.	Per cent.	Number.	Per cent.
American-born:																			
White	5,705	2,316	40.6	1,879	32.9	1,510	26.5	[1] 5,705	100	.....	.....	2,798	49	2,907	51	5,705	100	.....	.....
Colored	331	66	20	76	23	189	57	[1] 331	100	.....	.....	199	60	132	40	331	100	.....	.....
Foreign-born:																			
Teuton	1,820	714	39	585	32	521	29	1,086	59	734	41	1,323	73	497	27	1,723	95	97	5
Celt	1,401	474	34	407	29	520	37	1,013	72	388	28	1,026	73	375	27	1,399	99.86	2	.14
Slav	13,003	359	3	1,946	15	10,698	82	914	7	12,089	93	8,349	64	4,654	36	6,172	47	6,831	53
Other races	1,077	59	5	96	9	922	86	265	25	812	75	575	53	512	47	528	49	549	51
Total	23,337	3,988	17	4,989	21	14,360	62	9,314	40	14,022	60	14,270	61	9,067	39	15,858	68	7,479	32

[1] Native-born citizens.

TABLE B.—*Employees of Carnegie Steel Co. plants in Allegheny County, Pa., March, 1907, classified according to age—By racial groups.*

	Under 16.		16 to 19.		20 to 29.		30 to 39.		40 and over.		Total.	Per cent of grand total.
	Number.	Per cent.	Number.	Per cent.	Number.	Per cent.	Number.	Per cent.	Number.	Per cent.		
American-born:												
White	221	3.9	942	16.5	2,099	36.8	1,354	23.7	1,089	19.1	5,705	24.5
Colored	6	1.8	20	6	102	30.8	140	42.3	63	19.1	331	1.4
Foreign-born:												
Teuton	10	.55	61	3.35	474	26.04	499	27.42	776	42.64	1,820	7.8
Celt	2	.14	21	1.50	273	19.49	417	29.76	688	49.11	1,401	6
Slav	15	.11	908	6.98	6,229	47.91	4,194	32.26	1,657	12.74	13,003	55.7
Other races	.....	.....	70	6.50	506	46.99	340	31.57	161	14.94	1,077	4.6
Grand total	254	1.09	2,022	8.66	9,683	41.49	6,944	29.76	4,434	19.80	23,337	100

TABLE C.—*Total roster of workmen of Carnegie Steel Co. in Allegheny County, March, 1907, showing racial make-up, age, conjugal condition, etc., by country and nationality.*

Country and nationality.	Skilled.		Semi-skilled.		Unskilled.		Total.		Naturalized.		Unnaturalized.		Married.		Single.		English speaking.		Non-English speaking.		Under 16 years.		16 to 19.		20 to 29.		30 to 39.		40 or over.	
	Number.	Per cent.	Number.	Per cent.	Number.	Per cent.	Number.	Per cent.	Number.	Per cent.	Number.	Per cent.	Number.	Per cent.	Number.	Per cent.	Number.	Per cent.	Number.	Per cent.	Number.	Per cent.	Number.	Per cent.	Number.	Per cent.	Number.	Per cent.	Number.	Per cent.
1. Austria-Hungary	275	3	1,356	13	8,789	84	10,420	100	689	7	9,731	93	6,955	67	3,465	33	5,117	49	5,303	51	7	....	781	8	4,902	47	3,361	32	1,369	13
Slovak	137	2	946	15	5,394	83	6,477	62	484	7	5,993	93	4,573	71	1,904	29	3,532	55	2,945	45	3	....	472	7	3,053	47	2,116	33	833	13
Polish	19	3	103	17	489	80	611	6	29	5	582	95	381	62	230	38	307	50	304	50	1	....	16	3	302	49	206	34	86	14
Austrian (other)	1	3	3	7	36	90	40	....	6	15	34	85	21	47	19	53	31	78	9	22	....	....	....	....	22	55	14	35	4	10
Bohemian	6	13	12	27	27	60	45	....	7	16	38	84	21	47	24	53	24	53	21	47	....	....	2	4	29	65	10	22	4	9
Croatian	18	2	82	10	748	88	848	8	37	4	811	96	497	59	351	41	348	41	500	59	2	....	89	10	427	50	221	26	109	13
German	37	27	33	24	65	49	135	1	23	17	112	83	100	74	35	26	106	79	29	21	1	....	8	6	45	33	42	31	39	29
Greek	....	....	....	....	2	100	2	....	1	50	1	50	2	100	....	....	2	100	....	....	....	....	....	....	....	....	1	50	1	50
Hebrew	5	42	4	33	3	25	12	....	5	42	7	58	9	75	3	25	12	100	....	....	....	....	1	8	1	8	7	59	3	25
Horwat	3	1	6	2	382	97	391	4	7	2	384	98	184	47	207	53	196	50	195	50	....	....	28	7	238	61	100	26	25	6
Hungarian	16	12	12	9	103	79	131	1	11	8	120	92	56	43	75	57	61	47	70	53	....	....	8	6	59	45	48	37	16	12
Kralner	....	....	5	11	41	89	46	....	3	7	43	93	18	39	28	61	35	76	11	24	....	....	4	8	26	57	15	33	1	2
Magyar	32	3	142	12	1,018	85	1,192	11	73	6	1,119	94	808	68	384	32	430	36	762	64	....	....	84	7	503	42	432	36	173	15
Russian	....	....	1	8	12	92	13	....	1	8	12	92	6	46	7	54	3	23	10	77	....	....	1	8	8	63	2	15	2	15
Bulgarian	....	....	2	6	34	94	36	....	....	....	36	100	26	72	10	28	....	....	36	100	....	....	1	3	9	25	19	52	7	20
Dalmatian	....	....	1	12	7	87	8	....	....	....	8	100	5	63	3	38	....	....	8	100	....	....	....	....	4	50	4	50	....	....
Ruthenian	....	....	1	9	10	91	11	....	....	....	11	100	9	88	2	18	2	18	9	82	....	....	1	9	3	27	7	64	....	....
Roumanian	1	....	2	....	407	100	410	4	2	....	408	100	230	56	180	44	24	6	386	94	....	....	65	16	168	41	113	29	64	16
Galician	....	....	1	33	2	67	3	....	....	....	3	100	2	67	1	33	1	33	2	67	....	....	1	33	....	....	2	67	....	....
Herzegovinian	....	....	....	....	8	100	8	....	....	....	8	100	6	75	2	25	3	37	5	63	....	....	....	....	4	50	2	25	2	25
Prussian	....	....	....	....	1	100	1	....	....	....	1	100	1	100	....	....	....	....	1	100	....	....	....	....	1	100	....	....	....	....
2. England	577	39	441	30	468	31	1,486	100	1,025	69	461	31	1,100	74	386	26	1,484	100	2	....	1	....	32	2	344	23	426	29	683	46
Irish	147	24	170	28	291	48	608	41	465	76	143	24	442	73	166	27	608	100	2	....	....	....	4	1	106	17	180	30	318	52
Scotch	105	57	45	25	33	18	183	12	108	59	75	41	139	76	44	24	183	100	....	....	1	1	5	3	52	28	52	28	73	40
English	279	46	204	34	119	20	602	40	381	63	221	37	440	73	162	27	602	100	....	....	....	....	21	3	176	29	168	28	238	40
Welsh	41	50	18	22	23	28	82	6	66	80	16	20	72	88	10	12	82	100	....	....	....	....	....	....	8	10	23	28	51	62
Canadian	....	46	4	36	2	18	11	1	5	45	6	55	7	64	4	36	11	100	....	....	....	....	2	19	3	27	3	27	3	27

3. France	13	26	18	35	21	40	52	100	26	50	26	50	33	33	19	37	47	90	5	10			4	8	11	21	12	23	25	48
French	13	26	17	34	20	40	50	96	25	50	25	50	32	64	18	36	45	90	5	10			3		11		11		25	50
German			1	100			1	2	1	100			1	100			1	100									1	100		
Slovak					1	100	1	2		100				100	1		1	100					1	100						
4. Germany	273	32	272	32	310	36	855	100	564	66	291	39	659	77	196	23	792	93	63	7	11	1	31	4	163	19	213	25	437	51
German	246	34	232	32	238	33	716	84	489	68	227	32	558	78	158	22	675	94	41	6	9	1	25	3	128	18	170	24	384	54
Polish	25	20	38	30	63	50	126	15	71	56	55	44	90	71	36	29	106	84	20	16	2	2	6	5	32	25	38	30	48	38
Slovak				10	2	00	2				2	100	1	50	1	50	1	50	1	50					1	50	1	50		
Prussian	1	14	1	34	5	171	7	1	3	33	4	57	7	100			6	86	1	14					1	14	2	29	4	57
Roumanian			1	3	2	67	3		1	33	2	67	2	67	1	33	3	100							1	33	1	33	1	33
Hebrew	1	100					1				1	100	1	100			1	100									1	100		
5. Italy	24	3	43	5	829	93	896	100	210	24	686	76	470	53	426	47	384	43	512	57			63	7	431	48	288	33	114	12
Italian (South)	11	3	25	6	379	91	415	46	51	12	364	88	234	56	181	44	196	47	219	53			33	8	197	48	130	31	55	13
Italian (North)	7	3	17	6	246	91	270	30	28	10	242	90	118	44	152	56	146	54	124	46			16	6	127	47	101	37	26	10
English	1	100					1				1	100	1	100			1	100									1	100		
Slovak					1	100	1				1	100			1	100	1	100					1	100						
Other Italian	5	2	1		203	97	209	23	131	63	78	37	117	56	92	44	40	19	169	81			13	6	107	51	56	27	35	17
6. Russian Empire	106	4	600	23	1,871	72	2,577	100	195	8	2,382	92	1,394	54	1,183	46	1,105	43	1,472	57	7		121	5	1,334	52	835	32	280	11
Slovak			3	30	7	70	10				10	100	8	80	2	20	3	30	7	70					7	70	2	20	1	10
Polish	72	4	400	24	1,172	71	1,644	64	133	8	1,511	92	872	53	772	47	724	44	920	56	7		82	5	839	51	513	31	203	12
Hebrew	1	25	2	50	1	25	4				4	100	3	75	1	25	2	50	2	50					2	50	1	25	1	25
Lithuanian	20	4	103	22	353	74	476	18	47	10	429	90	215	45	261	55	212	45	264	55			18	3	238	50	169	36	51	11
Scandinavian			1	100			1				1	100			1	100	1	100									1	100		
Bulgarian	1	50			1	50	2		1	50	1	50	1	50	1	50	2	100					1	50	1	50				
Finnish	2	29	2	29	3	43	7		2	29	5	71	6	86	1	14	1	57	3	43					2	29	5	71		
German	4	15	10	37	13	48	27	1	6	22	21	78	19	70	8	30	24	89	3	11					12	44	9	33	6	22
Servian			1	5	19	95	20	1	1	5	19	95	10	50	10	50	15	75	5	25			1	5	14	70	5	25		
Greek					1	100	1				1	100			1	100	1	100							1	100				
Russian (other)	6	2	78	20	301	78	385	15	5	1	380	99	260	68	125	32	117	30	268	70			19	5	218	57	130	34	18	4
7. Servia					6	100	6	100			6	100	2	33	4	67	4	67	2	33					6	100				
8. Switzerland		47	4	21	6	32	19	100	14	74	5	26	14	74	5	26	19	100							7	37	3	16	9	47
German	5	45	4	36	2	18	11	33	9	82	2	18	8	73	3	27	11	100							6	55	1	9	4	36
Swiss	3	43			4	57	7	37	5	71	2	29	6	86	1	14	7	100							1	14	1	14	5	72
French	1	100					1	5	1	100			1	100			1	100									1	100		
9. Sweden	125	44	94	33	64	23	283	100	155	55	128	45	164	57	119	23	263	93	20	7			5	2	99	35	93	33	86	30
Scandinavian	108	44	80	32	59	24	247	87	127	51	120	49	139	55	108	45	227	92	20	8			5	2	95	38	79	32	68	28
Swede	17	47	14	39	5	14	36	13	28	78	8	22	25	69	11	31	36	100							4	11	14	39	18	50
10. Australian	3	50	1	17	2	33	6	100	1	17	5	83	3	50	3	50	5	83	1	17					3	50	1	17	2	33
German	1	50			1	50	2	33	1	50	1	50	2	100			2	100							1	50	1	50		
Slovak					1	100	1	17			1	100	1	100					1	100									1	100
English	1	50	1	50			2	33			2	100			2	100	2	100							1	50			1	50
Scotch	1	100					1	17			1	100			1	100	1	100							1	100				

TABLE C.—*Total roster of workmen of Carnegie Steel Co. in Allegheny County, March, 1907, showing racial make-up, age, conjugal condition, etc., by country and nationality*—Continued.

Country and nationality.	Skilled.		Semi-skilled.		Un-skilled.		Total.		Naturalized.		Unnaturalized.		Married.		Single.		English speaking.		Non-English speaking.		Under 16 years.		16 to 19.		20 to 29.		30 to 39.		40 or over.	
	Number.	Per cent.	Number.	Per cent.	Number.	Per cent.	Number.	Per cent.	Number.	Per cent.	Number.	Per cent.	Number.	Per cent.	Number.	Per cent.	Number.	Per cent.	Number.	Per cent.	Number.	Per cent.	Number.	Per cent.	Number.	Per cent.	Number.	Per cent.	Number.	Per cent.
11. British North America	18	51	7	20	10	29	35	100	25	71	10	29	18	51	17	49	35	100					2	6	9	26	9	26	15	42
English	6	60	1	10	3	30	10	30	7	70	3	30	7	70	3	30	10	100					1	10	1	10	4	40	4	40
French	1	100					1	2	1	100			1	100			1	100									1	100		
German	1	50			1	50	2	6	2	100			2	100			2	100											2	100
Scotch	2	67			1	33	3	9	2	67	1	33	1	33	2	67	3	100											3	100
Irish	1	33	1	33	1	33	3	9	3	100			2	67	1	33	3	100					1	33					2	67
Magyar	1	100					1	2			1	100	1	100			1	100									1	100		
Canadian (other)	6	43	5	36	3	21	14	40	10	71	4	29	4	29	10	71	14	100							8	57	2	14	4	29
African					1	100	1	2			1	100			1	100	1	100									1	100		
12. Montenegro					2	100	2	100			2	100			2	100			2	100					2	100				
13. Roumania			4	17	20	83	24	100			24	100	11	46	13	54	8	33	16	67			3	13	10	41	8	33	3	13
14. Bulgaria					58	100	58	100			58	100	43	74	15	26	4	7	54	93			4	7	22	38	23	40	9	15
15. Brazil—Irish			1	100			1	100			1	100			1	100	1	100									1	100		
16. Denmark	2	67	1	33			3	100			3	100	2	67	1	33	3	100							1	33	2	67		
17. Galicia—Polish					1	100	1	100			1	100	1	100					1	100							1	100		
18. Greece			14	87	2	13	16	100	1	6	15	94	5	31	11	69	14	87	2	13			1	6	10	62	3	19	2	13
19. Spain					2	100	2	100			2	100			2	100	2	100							1	50			1	50
20. Turkey in Europe			2	8	24	92	26	100			26	100	19	73	7	27	4	15	22	85			1	4	18	69	6	23	1	4
Greek			1	50	1	50	2	8			2	100	1	50	1	50	2	100							1	50	1	50		
Bulgarian					3	100	3	11			3	100	3	100					3	100					3	100				
Syrian			1	5	19	95	20	77			20	100	14	70	6	30	2	10	18	90			1	5	14	70	5	25		
Turkish					1	100	1	4			1	100	1	100					1	100									1	100
21. Belgium	2	50	2	50			4	100	3	75	1	25	4	100			4	100							1	25	1	25	2	50
French	1	50	1	50			2	50	2	100			2	100			2	100											2	100
Flemish	1	100					1	25	1	100			1	100			1	100									1	100		
Hebrew			1	100			1	25			1	100	1	100			1	100							1	10				

22. Ireland	65	23	90	31	132	46	287	100	204	71	83	29	205	71	82	29	287	100					3	1	59	20	89	31	136	48
Irish	64	23	89	31	132	46	285	100	204	71	81	29	204	71	81	29	285	100					3	1	58	20	89	31	135	48
English			1	100			1				1	100			1	100	1	100							1	100				
Scotch	1	100					1				1	100	1	100			1	100											1	100
23. The Netherlands			1	100			1	100			1	100	1	100			1	100									1	100		
24. Norway—Scandinavian	1	25	1	25	2	50	4	100	1	25	3	75	3	75	1	25	2	50	2	50			1	25	1	25	1	25	1	25
25. Scotland	65	47	50	37	22	16	137	100	92	67	45	33	98	72	39	28	137	100					5	4	30	22	44	32	58	42
Scotch	64	47	50	37	21	16	135	98	90	67	45	33	96	71	39	29	135	100					5	4	30	22	44	33	56	41
Irish	1	100					1	1	1	100			1	100			1	100											1	100
English					1	100	1	1	1	100			1	100			1	100											1	100
26. Wales	48	48	33	33	19	19	100	100	77	77	23	23	69	69	31	31	100	100			1	1	3	3	18	18	30	30	48	48
English	1	50			1	50	2	2	2	100			1	50	1	50	2	100									1	50	1	50
Irish	3	50	1	17	2	33	6	6	6	100			3	50	3	50	6	100									4	67	2	33
Welsh	44	48	32	35	16	17	92	92	69	75	23	25	65	71	27	29	92	100			1	1	3	3	18	20	25	27	45	49
United States:																														
White	2,316	41	1,879	33	1,510	26	5,705	95	5,705				2,798	49	2,907	51	5,705	95			221	4	942	16	2,099	37	1,354	24	1,089	19
Colored	66	20	76	23	189	57	331	5	331				199	60	132	40	331	5			6	2	20	6	102	31	140	42	63	19
Grand total	3,988		4,990		14,359		23,337		9,318		14,019		14,270		9,067		15,858		7,479		254		2,022		9,683		6,945		4,433	

Mr. GARDNER. Mr. Fitch, I understood you to say, I think, a majority of the workmen of the Steel Corporation, so far as your investigation went, worked 12 hours.

Mr. FITCH. That was my impression. I was particular to say that that was my impression, because I know the Bureau of Labor figures show a trifle under 50 per cent.

Mr. GARDNER. Substantially 50 per cent.

Mr. FITCH. Yes.

Mr. GARDNER. And that same thing applies to the steel trade in other States, as well as Pennsylvania?

Mr. FITCH. Yes.

Mr. GARDNER. Independents and the United States Steel Corporation as well?

Mr. FITCH. Yes.

Mr. GARDNER. We had some evidence the other day—I do not remember whether it was evidence or a statement of counsel—to the effect that in that 12-hour period, some part of it, at all events, so far as the blast-furnace men are concerned, was a time not occupied in real labor; that is, the blast-furnace men were only working 1 hour in each 4 while on duty. Is that so?

Mr. FITCH. I do not think that is so.

Mr. GARDNER. In the first place, what proportion of those to whom you allude are blast-furnace men?

Mr. FITCH. I could not say offhand as to that.

Mr. GARDNER. Somebody here the other day described how they had retiring rooms, and that a man who was in charge of a blast furnace, which must be kept perpetually going, had some time for rest. We were discussing at the time the question of the two tour arrangement of 12 hours each against the three tour arrangement of 8 hours each. Somebody said that as a matter of fact these blast-furnace men only work 1 hour in 4, and the other 3 hours they retired, so far as they choose, except they are on the premises, and that there are places to which they may retire.

Did you see anything of that sort, Mr. Fitch?

Mr. FITCH. I never saw any sufficient place for them to retire to.

Mr. GARDNER. What do they do as a matter of fact? Describe it in your own words as you did see it in the blast-furnace work.

Mr. FITCH. I do not now recall exactly how often a blast furnace is tapped, or, as they call it, a cast is made, but every few hours such a thing happens. The men gather in front of the furnace and drill out the tap hole. It is hard, incessant labor, while they do that. It takes them some little time, between 20 minutes and half an hour, I should say, just from casual observation.

Perhaps half a dozen of them take hold of a very heavy iron bar and drive that bar against the fire clay in the tap hole.

The CHAIRMAN. Just explain how that clay is put in there and how hard it is. It is like a brick, as I understand it.

Mr. FITCH. Very hard.

The CHAIRMAN. The intense heat of the furnace changes the fire clay that is put in to stop up that hole into the form of a long brick, and they have to drill that out?

Mr. FITCH. Yes.

The CHAIRMAN. I have seen the work done.

Mr. FITCH. After this is done and the hole is finally drilled through there are many tons of unmelted ore and coke or limestone above the melted iron at the bottom. This naturally drives the iron out—the melted iron out at a very high pressure, something like water from a high-pressure hose. It spurts out. The men have to jump to one side very quickly to avoid accidents. I have never seen a man hurt; but they work all the time with the drill in that way, knowing that at any moment the point of the drill may go through and the iron will come spurting out.

After this is done the molten iron is, of course, running down a channel, and it is the duty of the men to take positions here and there and see that the iron flows down the channel all right, to divert the flow from one channel to another, to throw various materials they have there for metallurgical purposes into the iron as it flows along, and they are very active——

The CHAIRMAN (interposing). Explain how that is done. These channels have valves in them?

Mr. FITCH. There is a main channel going down from the tap hole of the furnace. At either side from this main channel there are side channels, which are stopped up with sort of an iron dam, with sand packed around them. From time to time a similar iron dam is thrown into the main channel to divert the flow to one side, and at the same time the dam is removed from the channel at the side. In that way the flow is diverted from one iron ladle to another. The men are kept pretty actively at work for some little time. I never timed them.

Mr. GARDNER. I meant for a guess. You have some idea on that question as to these blast-furnace men. How much time have they on and how much time off?

Mr. FITCH. I should hazard a guess at three hours at work out of the four instead of one hour.

Mr. REED. The testimony you referred to, Mr. Gardner, was Mr. Farrell's testimony, who testified that of the 12 hours the men were on duty they were busy for 4 hours and had 8 hours of rest.

Mr. GARDNER. You would be inclined to dispute that statement, Mr. Fitch?

Mr. FITCH. My own observation would not bear out such an estimate.

Mr. GARDNER. Mr. Reed, is that a matter of record?

Mr. REED. It is a matter of which there can not be very much doubt. The furnace is tapped at regular intervals. About every 6 hours each furnace is tapped.

Mr. GARDNER. But of the length of time, is there a record kept of the length of time the men are actually at work during the 12 hours?

Mr. REED. I do not know of any such record.

Mr. GARDNER. It is rather a material question.

Mr. FITCH. If I may add, in connection with that—I notice in the Bureau of Labor report——

The CHAIRMAN (interposing). Right at that point, let me interrupt you, Mr. Fitch. You have not finished with the work yet.

After this iron flows out of the furnace, what is necessary then to be done? After the iron ceases to flow, what is necessary to be done?

Mr. GARDNER. I want to get the maximum time they are at work, before they rest.

Mr. FITCH. An estimate of that time was made by the Bureau of Labor. I noticed it in its report the other day, and my recollection is that the statement was made that these men work about three-fourths of the time.

Mr. BEALL. Do you mean the last report of the Commissioner of Labor?

Mr. FITCH. The special report of conditions in the iron and steel industry.

Mr. GARDNER. Their estimate was they worked three-fourths of the time?

Mr. FITCH. That is my recollection.

Mr. GARDNER. I am speaking only of the blast-furnace men.

Mr. BEALL. May I read into the record a little extract here?

The CHAIRMAN. Certainly.

Mr. BEALL (reading):

During the investigation those in charge of the plants have in their discussions with representatives of the bureau frequently emphasized the fact that the men working these very long hours are not kept busy all the time. To a considerable extent this is perfectly true; but the employees in question are on duty and subject to orders during the entire period, and they are not, except in rare instances, allowed to leave the plant. It should not be overlooked that it is not simply the character or the continuity of the work, but the fact that in the case of the 12-hour a day man something over one-half of each 24 hours—more than three-fourths of his waking hours—is spent on duty in the mills, which is of significance to the worker and his family.

The CHAIRMAN. There is no estimate at all?

Mr. BEALL. No.

Mr. FITCH. The estimate is made at another place in the report.

Mr. GARDNER. What do they do when they are off duty? May they read?

Mr. FITCH. Yes; I should think they might. I never have seen them. In fact, whenever I have been around the blast-furnace plant the men were always doing something. It may be I have been unfortunate in coming only at those times when the men were working.

Mr. YOUNG. Have you ever stayed through an entire day?

Mr. FITCH. No. That would be the only way in which I could estimate it.

Mr. GARDNER. What other class of employees, besides blast-furnace men, work 12 hours.

Mr. FITCH. The men in making the steel in the open-hearth department and the Bessemer department. The men engaged in handling steel after that until it has gone past the rolls and has emerged as a finished product.

Are they at work, in your opinion, three-quarters of the time when they are on duty?

Mr. FITCH. There is so much variation in practice there it is very difficult to make a general statement. I know of cases where——

Mr. GARDNER (interposing). What would you guess?

Mr. FITCH. I should guess about three-quarters of the time.

Mr. GARDNER. Three-quarters of the time when they are on duty they are actually at work?

Mr. FITCH. Yes.

Mr. GARDNER. Are those men also seven-day men, or is it only the blast-furnace men that are seven-day men?

Mr. FITCH. The blast-furnace men have been universally seven-day men. The open-hearth furnace men have been to a considerable extent seven-day men, and in some places are now. The rolling men are almost never seven-day men, and in some plants never have been compelled to work seven days.

Mr. GARDNER. In the Bessemer furnace they always work as seven-day men?

Mr. FITCH. No; that is in the blast furnace.

Mr. GARDNER. In the blast furnace?

Mr. FITCH. Yes.

Mr. GARDNER. But the open-hearth furnace men are not so apt to be seven-day men?

Mr. FITCH. It is not necessary for them to be.

Mr. GARDNER. In the rolling mill they are not seven-day men. Is that approximately correct?

Mr. FITCH. That is approximately correct.

Mr. GARDNER. What about the Bessemer furnace men?

Mr. FITCH. The Bessemer department is generally a six-day department.

Mr. GARDNER. Twelve hours for the men?

Mr. FITCH. Twelve hours for a majority of the men; usually eight hours for the men in the hottest positions.

Mr. GARDNER. Are these men in the hottest positions continually at work, or are they like the stokers on a steamer? Do they do their eight hours continuously, or do they do four hours and then have four hours rest and then four hours on duty again?

Mr. FITCH. It depends on how well the department is working. If everything is well, they should have pretty continuous work.

Mr. GARDNER. These Birmingham wages that you spoke of as being 13 and 14 cents is a matter I want to ask about now. Are those colored men?

Mr. FITCH. About half of them—more than half of them, I should say. In general, the colored men get the 13-cent rate and the white men the 14-cent rate.

Mr. GARDNER. You were telling about these general iron men who have often to work overtime, and cited instances, in cases of a breakdown, that they might have to work as much as 36 hours. How often does that overtime work occur in each man's experience?

Mr. FITCH. Not very often; perhaps twice in a year; perhaps two years will go by without any.

Mr. GARDNER. What is the provision for overtime pay?

Mr. FITCH. Straight time.

Mr. GARDNER. What was the name of the paper you were first connected with—Charities and the Commons?

Mr. FITCH. Charities and the Commons; yes.

Mr. GARDNER. Mr. Charles M. Cabot is one of the proprietors of a magazine known as the Boston Commons, is he not?

Mr. FITCH. He has had some connection with it. I do not know exactly what that is.

Mr. GARDNER. It has been an active connection?

Mr. FITCH. I have no direct knowledge of that. I could say I know he has been interested in it.

Mr. GARDNER. I have direct knowledge of it. Is there any connection between the Boston Commons and Charities and the Commons, in proprietorship or anything of that sort?

Mr. FITCH. None, whatever.

Mr. GARDNER. The Survey is what you are now employed by?

Mr. FITCH. I am employed by the Survey, which is the same magazine as Charities and the Commons. It is merely a change in name.

Mr. GARDNER. Its successor?

Mr. FITCH. Yes.

Mr. GARDNER. Here is a great question which you have raised, and I would like to discuss it with you a little. It is not a matter so much of evidence as, perhaps, of opinion. I will begin it in this way:

You are employed by the Survey to do certain work. They have employed you to do certain work. If your reports found ideal conditions existing in the Steel Corporation, do you think your value to the Survey would be increased?

Mr. FITCH. I do not see what connection that would have with my value to the Survey.

Mr. GARDNER. That is to say, you think the Survey wants to publish things as they are, even if they proved to be ideal?

Mr. FITCH. Even if they prove to be very ideal.

Mr. GARDNER. The reason I asked that question is that I had a conversation with Mr. James Bronson Reynolds, who made a report on the condition of affairs in Chicago as to the Meat Trust, exhibiting a very clear statement of affairs there. Subsequently there was legislation and so on, and he was again asked to make a report by some magazine—not the Survey, and I do not remember what magazine it was. Perhaps it may have been a newspaper, and not a magazine. Mr. Reynolds told me that he said he would make a report, but that he understood that those abuses to which he had called attention had been corrected, upon which he was informed that there was not any necessity for making that report, because, from the point of view of their readers, it no longer had any value.

You think the Survey is conducted on different principles; that they would be very glad to find all the conditions were of the best from the laborers' point of view in the steel business?

Mr. FITCH. I know they would.

Mr. GARDNER. That would be their view of it?

Mr. FITCH. Yes, sir.

Mr. GARDNER. I was thinking, in connection with that, whether it was or was not true that men writing for the press or magazines must more or less sink their individuality and write the sort of things that the employers desire; and their employers probably desire that which they think the public demands. Is that your belief as to writers in general?

Mr. FITCH. I have no knowledge of any magazine, from direct connection, other than with the Survey, and I wish to say that the Survey is not in business for the purpose of making money—that the Survey is maintained——

Mr. GARDNER (interposing). I did not ask about the Survey. I asked your general impression of conditions in this work as to writers.

Mr. FITCH. You wish me to say whether I think writers can describe what they find, in magazines?

Mr. GARDNER. Yes.

Mr. FITCH. I think they can, as a general rule.

Mr. GARDNER. As a general rule? You do not think writers write what their employers want?

Mr. FITCH. Mr. Gardner, I write what my employers want. It happens that my employers and I agree as to what is good. I would not work for the magazine where I could not agree with my employer. I know of a very great many high-principled men working for other magazines who would not. They please their employers. But they also write what they think they ought to write.

Mr. GARDNER. Is there any impropriety in a man writing what his employer wants him to write? As to a newspaper man, if I were employed as a newspaper man, is there any reason why I should not sink my individuality and write what my employer wants me to write?

Mr. FITCH. Even if that is the thing you would prefer not to write?

Mr. GARDNER. Even though it does not meet my individual views.

Mr. FITCH. I think a man would be giving up his independence if he did that. I think he would be false to——

Mr. GARDNER (interposing). You are now coming in the direction I want to discuss with you.

Mr. FITCH. I think he would be false to the standards that should prevail among men who write.

Mr. GARDNER. Take the case of my secretary; should he sink his individuality, if I pay him a satisfactory sum to do it, and become merely my secretary?

Mr. FITCH. I do not know what you mean by "sinking his individuality."

Mr. GARDNER. Well, he must communicate my views to callers; he must protect me in every way he can; otherwise he is not fit for the position. He must sink his individuality.

Is it a dishonorable thing for him to do or an improper thing for him to do?

Mr. FITCH. I do not see why it is, unless you ask him to do something that is improper.

Mr. GARDNER. Let us come now to your question of saying that there is a loss of liberty engendered by the system which the Steel Corporation has created out of pensions, of accident compensation, and of stock subscription. You say that it results in a loss of independence on the part of the workmen, and that is brought about by making a special inducement to the workmen to remain a long time in the employ of the Steel Corporation. Did I understand you to take that ground? Is that correct?

Mr. FITCH. Something quite similar to that.

Mr. GARDNER. That is a correct statement of your position? The question arises in my mind, when you were discussing that, that even if you could say that this compensatory and pension arrangement were entered into for the express purpose of making it worth while for men to remain longer in the steel company's employ, whether there is any impropriety in it.

Mr. FITCH. Not for the purpose of keeping one in the employ of the company. That is very desirable. The thing that is improper is that the man has no right to the benefit which he is offered. There is no contract.

Mr. GARDNER. Yes; but if it is made worth the man's while by his employment; if he finds that directly or indirectly he can get higher pay if he does not join a labor union, why should not he divest himself of the right to join that labor union?

Mr. FITCH. I have no objection to his doing that. I would urge, if the employers wish to maintain loyalty among their employees, that they offer them high pay.

Mr. GARDNER. I take it that men join labor unions—at least they do down my way—because they think thereby they can get more pay per hour. The shorter hours are generally, perhaps, aimed at for the purpose of raising the pay or getting a greater amount of pay for a less number of hours' work. I think that is the usual reason. If the employer says, "I will enter into competition with the labor union and I will endeavor to make it more worth while for them not to join the union than the unions will make it worth while if they join them," is there anything in the eternal verities—I am not giving my opinion in the matter—but is there anything in the eternal verities which would make it improper for the corporation to do that?

Mr. FITCH. Not at all.

Mr. GARDNER. Then why have I not covered your position? It seems to me that last answer of yours is rather out of harmony with the position you took in the preliminary statement which you made.

Mr. FITCH. You ask if it would be improper for the company to offer better conditions, to compete with labor unions by offering better conditions than the labor union could secure. I think that is highly proper; and not only that, but desirable.

Mr. GARDNER. Is not the direct purpose of keeping the men from entering the labor union? If they should say, "Here, we do not want our business interfered with, we would rather run this show ourselves than divide the responsibility with anybody else or divide the mastery with anybody else, and we will make it worth your while not to join labor unions, and we will do it by these various systems," is that an improper motive?

Mr. FITCH. Not at all. That is just the way to fight labor unions.

Mr. GARDNER. Then I want you, in your own terms, to say in what way these plans of the Steel Corporation, if you are correct as to its motives, differ from——

Mr. FITCH (interrupting). May I answer your question and give my opinion?

Mr. GARDNER. I would like for you to answer everything now in your own words. I think you understand what I am driving at. Let us see what you have to say about it.

Mr. FITCH. We might differ as to what are better conditions. A company should be very sure that it is offering better conditions. I do not think a company is offering better conditions when it even pays higher wages if it thereby curtails the right of employees to meet and hold public gatherings, to speak in public, to write letters for their labor papers, and express their opinions as to the policy of the corporation.

In other words, to put it in a homely way, I believe in the inevitable right of the American workman to kick. If you deprive him of his right to kick you never can compensate him by high wages or by pensions or anything else.

I would have a very high opinion of a corporation that would fight labor unions by offering better conditions than the labor unions could secure and then not interfere with the men when they get together in a meeting to talk about it. I would have a very high opinion of a company like that.

Mr. GARDNER. Substantially you do not think a corporation ought to pay a man not to kick?

Mr. FITCH. I do not think American civilization can continue on the basis which it has now reached if you deprive men of the right to kick.

Mr. GARDNER. As a matter of fact, does not the corporation feel that all these letters which are being written are for the purpose of enjoying those benefits, to wit, membership in the labor union and increased rewards which the corporation is offering?

Mr. FITCH. I do not understand you. What letters?

Mr. GARDNER. For instance, you say they ought to be permitted to write letters to their labor papers. I do not know whether they are allowed to do so or not. Probably the corporation would deny the fact, but for the sake of the argument let us assume that they do it. As a matter of fact, would not the corporation say, "We have offered them money or further advantages—higher pay or compensation or welfare work, or whatever it is—for the express purpose of their not aiding in a movement to build up labor organizations"? From that point of view would it be improper for the corporations to do what they could to prevent the people reaping the benefit of what they have offered them, and at the same time trying to accomplish the end which the corporation is, from their point of view, paying them to refrain from?

Mr. FITCH. It is not at all improper for a company to try to keep its employees from organizing, but it is improper for that company to discharge its men because they desire to belong to a club. When men get together for the purpose of organizing, nobody knows what the purposes are. I do not believe any member of this committee would say that a man ought to be condemned in advance of committing a crime and sentenced for it. I think that we come down to the principle that a man ought to be free until he commits his crime.

Mr. GARDNER. I quite agree with you in your premise, and I presume the corporation would deny the fact as to preventing the men joining the club. Yet after it is established that the club is instituted for the reason that they desire to become unionized, would there be anything, then, improper in the corporation discharging them and saying, "You may no longer participate in these benefits"?

Mr. FITCH. Such as higher wages?

Mr. GARDNER. Such as whatever they offered them in the way of compensation or anything of that sort.

Mr. FITCH. Everything of that sort would have to be judged upon its individual merit; but I do not see where the employee can be assured of continued justice if the employer offers him any amount of high wages and then refuses to him an opportunity to join with his

fellows, so he can have a voice somewhat comparable to the voice that speaks through the employer, with capital behind it.

Mr. GARDNER. But suppose the corporation is willing to pay the man to avoid it, and the man voluntarily surrenders it?

Mr. FITCH. When we pay the men for giving up their independence?

Mr. GARDNER. Yes.

Mr. FITCH. You can not pay a man for that.

Mr. GARDNER. I do not know about that. I raised the question with my secretary and the newspaper men, before I began the discussion, for the exact purpose of bringing out that point.

Mr. FITCH. That is my opinion. You can not pay a man for that.

Mr. GARDNER. That is all, Mr. Chairman.

Mr. YOUNG. Perhaps this is going back to the beginning, but can a man enter any kind of organized society without giving up a part of the independence and liberty that he would enjoy if he were alone upon a desert island—or not a desert island, but a rich island?

Mr. FITCH. There is a difference between independence and unbridled license. Your man on the rich desert island would be limited, of course. His independence would be bounded by that island.

Mr. YOUNG. And by what he could do upon the island?

Mr. FITCH. Yes.

Mr. YOUNG. Is it not a fact that in any organized society you must give up liberties in order to enjoy other benefits?

Mr. FITCH. Certainly; a certain amount.

Mr. YOUNG. When this man joins the labor union it is necessary for the success of that union, is it not, that when the union has considered the question affecting the interests of its members and decided by a majority that a certain thing shall be done, the minority shall surrender their opinion and act with the majority?

Mr. FITCH. That is the principle we go on in any kind of a democracy, whether it is a union or a political organization.

Mr. YOUNG. In any kind of an organization—governmental, or church, or labor union, or anything of that kind?

Mr. FITCH. Yes.

Mr. YOUNG. Why is it not more detrimental to the character or interest of this man to give up part of his independence and liberty to the labor organization than it is to give up an equal amount—not greater, but an equal amount—of independence to the corporation?

Mr. FITCH. I do not think there is any reason for his giving up all of it to the corporation.

Mr. YOUNG. Who requires him to give up all his independence, and how can he give it up? I would be perfectly willing as an individual, for instance, to agree for a consideration that I would never enter a certain line of business. Do you think there would be any impropriety in that?

Mr. FITCH. None whatever.

Mr. YOUNG. Yet it would be a very great restriction on my liberty?

Mr. FITCH. Yes.

Mr. YOUNG. I would be willing to say that I would never join a society for the dissemination of political science, for instance, for a consideration, if anybody would pay me one for it. Do you think there would be any impropriety in that?

Mr. FITCH. That would depend very much upon how sweeping the prohibition might be. But we are talking now, if you will pardon me, about workingmen.

The CHAIRMAN. To carry the matter far enough, suppose the suggestion be made that you would agree not to vote?

Mr. YOUNG. No; I am not talking about that at all. I am talking about joining an organization for the dissemination of political science.

Mr. FITCH. I do not know how you would feel about it, but to answer your question directly, I should feel rather ashamed to sell my right to join any such organization as that. I would rather be free to speak whatever I thought was the truth and whenever it ought to be spoken.

Mr. YOUNG. You would be just as free to speak outside of the organization as you were in it and probably a good deal freer.

Mr. FITCH. But is not that rather changing the basis of the discussion?

Mr. YOUNG. I think not.

Mr. FITCH. Is not that a small point in comparison?

My idea with regard to the laboring man is different from my idea with regard to a Member of Congress, and I would say that if you were employed at $2 a day——

Mr. YOUNG (interposing). I have been employed at a good deal less than that.

Mr. FITCH. Yes; and so have I.

Mr. YOUNG. And I worked 15 hours a day, too.

Mr. FITCH. So have I.

Mr. YOUNG. Not occasionally, not an occasional day, but every day.

Mr. FITCH. If you were asked to sell your right to ask for more wages by an advance now to $2.10 a day, I could conceive of circumstances under which you would have to do it. But I would think it would be a very bad thing for society in general for a large number of men to be compelled to do that thing.

Mr. YOUNG. That would depend, would it not, entirely as to the desirableness of the bargain? When any man enters into an employment, as many men do, for a series of years at a certain salary, they agree they will not seek any other employment at a greater salary during that time. They do that when they believe it is advantageous for them to make that sort of a bargain.

Mr. FITCH. Does not the justice of the bargain always depend upon the bargaining power of the person concerned?

Mr. YOUNG. No: it depends on the justice of the bargain.

Mr. FITCH. Does it not depend on the bargaining power at all?

Mr. YOUNG. It depends on the justice of the bargain.

Mr. FITCH. Then you think, do you, that society is not endangered at all if half of society has a right to fix the terms of employment for the other half and fix the wages for the other half?

Mr. YOUNG. I never said anything of that kind.

Mr. FITCH. If only that first half intends to be just?

Mr. YOUNG. Oh, no; I do not see how you could have so misconstrued my statement.

Mr. FITCH. I just asked if that is your point of view.

Mr. YOUNG. I said no, and you have no right to think from anything I said that I did have that point of view. What I said was this—and now listen, please—that in my opinion it depended on the justice of the bargain, not whether you thought it was just or I thought it was just, but whether, as a matter of fact, it was just.

Mr. FITCH. I differ with you as to that. I would feel independence in a community if I were enabled to make a bargain on equal terms with my employer. I would not feel a similar independence if I felt that my employer were paying me twice as much as I was worth at any time, and could at any time cut my pay to half what I worth, and that I had no recourse. I would not feel very independent; in fact, I would have to do just about what that employer told me to do, whether it was a right thing to do or a wrong thing to do, just so I could hold my job and not let my family starve.

Mr. YOUNG. Why would you not feel entirely independent, provided you could obtain employment somewhere else?

Mr. FITCH. If I could get employment at a reasonable rate, then I would be independent.

Mr. YOUNG. Do you think we have reached a condition in this country where laboring men, generally speaking, can not obtain employment at reasonable wages, somewhere in this country?

Mr. FITCH. I know that hundreds of thousands of workingmen are not working at reasonable wages. I have just been producing figures here to show that thousands of the employees of the Steel Corporation are not getting reasonable wages. I have not gone into that in detail, but I have been in these men's homes, and I know how they live. I know the common laborer rate in the steel industry presupposes a single man industry. It is based upon the idea that a man does not have to support a family. So that common laborers of the Steel Corporation are largely either single men or married men whose wives are in Europe and who can live at a cheaper rate in Europe than they can here, and hence small sums are being sent over to them from time to time.

Mr. YOUNG. And you say these men can not obtain any better wages anywhere else in this country than this identical wage which the Steel Corporation is giving them?

Mr. FITCH. Some of them can. The vast bulk of them can not.

Mr. YOUNG. No one will pay them any more?

Mr. FITCH. The vast bulk of them can not get any more.

Mr. YOUNG. Do you mean by that that all employers of common labor in this country are in a vast conspiracy to hold the wages of the laboring men down to an unreasonable figure?

Mr. FITCH. It is not a conspiracy. It is the natural working out of economic conditions. The employer wants to get all he can and the employee wants to get all he can. Where the employee is not permitted to organize he has no bargaining power, and he has to take what he can get. The Steel Corporation is not a single employer. Their employing officer represents a large body of stockholders, and he must conduct the industry so as to get, not the highest wages to be paid, but the highest dividends to be paid stockholders. The thing that moves him is a thing that is contrary to the thing that moves the employee. There are two conflicting ideas. It is not a conspiracy. It is a fight to live, you might say. The manager wants to hold his

job, the president of the steel Corporation wants to hold his job. They want to make this great industry pay. It will pay more if wages are low than it will pay if wages are high, and that is the reason wages do not go up.

The CHAIRMAN. Right at that point I want to ask a question, though not to interrupt Mr. Young's interesting inquiry.

If these men were American citizens, speaking our language, at home anywhere in our country, and who could, for that reason, engage in other gainful occupations as mechanics or farmers, or the like, would they be in the condition they now are?

Mr. FITCH. Their condition would be much better. There would be many more opportunities open to them. I would not want to venture to say what would be the effect if all the common-labor employees were skilled men. There would be such an influx of skilled labor there would not be jobs enough to go around.

The CHAIRMAN. I do not mean skilled men. I mean if they were American citizens at home, who knew our institutions and our language, and who could for that reason do ordinary labor elsewhere than in communities where their own language is spoken and their own people live.

Mr. FITCH. Oh, yes. There would be a much greater freedom of movement then. Suppose a man were a farmer in Europe—but under your hypothesis he would not have been in Europe. But suppose he had been a farmer in Massachusetts, he could then go out to Nebraska and buy a farm, or could go to Texas, where land is very cheap, and perhaps buy a farm there; but the man who is coming in from southern Italy and from Russia and from Austria-Hungary, not knowing our language, naturally goes to the place where his people can talk his language; so the tendency is naturally for them to congregate in great industrial centers and to stay there, although they know how to farm and do not know how to be steel workers.

Mr. YOUNG. I did not hear all your testimony, and so I may be asking you things which have been gone over; but as I understand your position, it is that these special benefits, the pension system and the bonuses, the opportunity to purchase stock, the payments made for injuries, and all that, are done by the steel corporation with the real concealed purpose of preventing these men joining labor unions?

Mr. FITCH. I have expressed no opinion on that at all. I do not wish to express an opinion on that, because that is entering into motives that can scarcely be determined. I might merely say——

Mr. YOUNG (interposing). Do you mean it has that effect?

Mr. FITCH. It has that effect; yes.

Mr. YOUNG. It has that effect?

Mr. FITCH. Yes.

Mr. YOUNG. There are a great many places in the United States where common labor is employed, where nothing of that kind is done, and there is no objection to men joining labor unions. Have you made any investigation to find whether under such conditions laboring men are receiving better wages for the same kind of work? I do not mean the same kind, but the same class of common, unskilled labor. Have you made any investigation to determine whether they are receiving better wages than in the steel industry, when they are working for the steel corporation?

Mr. FITCH. No; I have made no special inquiry into that. However, I have here an abstract of the report of the Immigration Commission, which——

Mr. YOUNG (interposing). Of what date?

Mr. FITCH. 1911. That is the congressional commission, which has recently completed its investigation and is publishing its report.

I find that they secured detailed information for 86,089 employees in the steel industry. The census reported for 1909 there were 301,350 employees engaged in all classes of iron and steel work, excluding, of course, mines, but in the plants. The number investigated was something like 28 per cent of the total, which is a pretty fair basis for a study. These were common laborers mainly, because they were immigrants. They say here that the average annual earnings of all males 18 years of age and over in the period investigated—and I think this has reference to 1910, though I am not positive as to that—were only $346; the average annual earnings of male heads of families were $409; and the average annual family income was $568.

Mr. YOUNG. That is really where more than one member of the family worked?

Mr. FITCH. Yes; or where the wife worked at some other industry. I glanced through these other industries which are included in this abstract, and notice they include slaughtering and meat packing, bituminous coal mining, glass manufacture, woolen and worsted manufacture, silk goods, cotton goods, clothing manufacturing, boots and shoes, furniture, collar, cuff, and shirt manufactures, leather, glove manufactures, oil refining, sugar refining, manufactures of cigars and tobacco, and I find the lowest rate is in the steel industry.

Mr. REED. Unskilled labor?

Mr. FITCH. It does not say whether it is skilled or unskilled in this immigrant investigation.

Mr. YOUNG. The figures we have been receiving from the Bureau of Corporations show that the average rate of wages for unskilled labor in the steel corporation at Pittsburgh is 17½ cents an hour, but that they work either 72 or 84 hours a week. That would make a very much higher rate of wages than any that you have mentioned.

Mr. FITCH. If they work 365 days in the year, it would.

The CHAIRMAN. I think you misapprehend the idea. You are speaking of wages paid these immigrants.

Mr. FITCH. These are mainly immigrants, though a certain proportion of American-born citizens is included in each study. Perhaps I can tell you right here.

The CHAIRMAN. I may have misapprehended the matter myself.

Mr. BATES. Of the total number of employees, 57.7 per cent were found to be of foreign birth. The principal races of the old immigration—this commission differentiates between old and new immigration, the old being northern Europe and the new being southern Europe—were: Germans, 4,266; Irish, 2,448; and English, 2,340. The rest of the races reported in largest numbers were the Slavics, 9,029; the Poles, 7,897, and so on; and of the total number of iron and steel workers there were 28.90 per cent of native born with native fathers and 13.4 per cent native born with foreign fathers.

Mr. REED. Unless I have misunderstood Mr. Fitch, the figures which he now gives us are comparing the earnings of the steel work-

ers, most of whom are common laborers, with the earnings of the workers in other industries, most of whom are skilled workers, and I think Mr. Fitch will say that my information is correct, that the steel workers at Pittsburgh receive a higher rate per hour for common labor than any other important group of common laborers in the United States, except perhaps in the Pacific States.

Is that not correct, Mr. Fitch?

Mr. FITCH. I could not say as to all groups of common labor. The highest rate paid in the steel industry is paid by the United States Steel Corporation at Pittsburgh. As to these other industries containing a higher proportion of skilled employees, I could not say. The slaughtering and meat-packing industry has a large number of common laborers.

Mr. YOUNG. I should not think statistics of that kind are of very much value unless they differentiate between the skilled and unskilled laborers on both sides.

Mr. FITCH. Without differentiating at all, and taking the iron and steel situation as it stands, that yearly income is rather low. Comparing it with what we might consider the American standard of living rather than comparing it with any other industry, it is exceedingly low.

Mr. YOUNG. The figures which you gave—$409—are very low. But that would indicate that these men, if they receive the same wages that the common laborer receives at Pittsburgh, did not work over four-sevenths of the time. Except in a year of great financial depression, if a man does not work more than four-sevenths of the time it is usually his own fault.

Mr. FITCH. I would not hesitate——

Mr. YOUNG (interposing). Of course, there have been years when he could not get that opportunity.

Mr. FITCH. I would not hesitate to say that as to the steel industry. No one will deny that the steel industry has increased its capacity beyond any demand that this country has ever made.

Mr. YOUNG. But you must remember that we have increased our consumption more than double the amount of the consumption in 10 years. We are not very much ahead.

Mr. FITCH. I have no figures as to the extent to which we are ahead, but I know the Gary plant has never yet been in full operation unless it has been recently in full operation.

Mr. REED. It is very near it now.

The CHAIRMAN. The Gary plant has hardly started.

Mr. FITCH. The Gary plant began to be built in 1906.

Mr. YOUNG. But it is not completed yet.

Mr. FITCH. The departments that have been completed have scarcely ever, if at all, been in full operation. I was in Chicago and Gary last winter, and I went through these plants. In South Chicago, in visiting the plant there, I could scarcely find anybody at work; practically all the departments were closed, and although I was in Chicago for three months, there was very little of that time that the entire plant—I do not think any of the time the entire plant was in operation.

Mr. YOUNG. What time was this?

Mr. FITCH. I was in Chicago from the 1st of December until nearly the end of February.

Mr. YOUNG. Of what year?

Mr. FITCH. Of 1910 and 1911. Not only was that true in Chicago and Gary, but practically throughout the country. The steel mills were operating on part time, and they are operating now on part time.

Mr. YOUNG. Undoubtedly.

Mr. FITCH. I do not know of any time since the boom era of 1906 and 1907 that the steel mills have been operating constantly at all at full capacity. Having built these great mills and gathered together a laboring force to run them—for there must be a full laboring force, because every department of the plant is running part of the time—necessarily men are out of employment a great deal.

Mr. YOUNG. But that is all deductive, it seems to me. I do not believe, as a matter of fact, that all of these plants, at the same time, have ever had a force together capable of running all the plants at their full capacity. If they have, I have been very much misinformed. It is true that we have greater capacity in the steel business than there is a demand for. The increase in the demand has been so rapid that in 1906 and 1907 we got behind, but this resulted in an expansion of the business, and we built rather more plants than as yet we have had use for, but it will only be a few years until they are all in use. That increase has mainly occurred since the business began to be unsteady. They have just commenced plants, and have been building them since. I do not think there is any condition at most of them where a large force has been gathered together that has been idle a large proportion of the time.

Mr. FITCH. There has not been a time since the fall of 1907 that the steel mills of the Pittsburgh district have generally been operated on full time.

Mr. YOUNG. Very true; but they have monstrously increased their capacity since that.

Mr. FITCH. Yes; and have increased their labor force and have laid off men from time to time——

Mr. YOUNG (interposing). I should feel like denying that without some proof of it.

Mr. FITCH. I refer you to the report of the Immigration Commission as to the amount of lost time during the period of investigation.

The CHAIRMAN. Can you put that in this record?

Mr. FITCH. I would much prefer that you would ask some member of the commission or some person who had to do with compiling those statistics, because they would be much more familiar with them. I would suggest Mr. Husband, who was one of the secretaries of the commission. However, if you wish me to do so, I will get them.

The CHAIRMAN. That information ought to be put in the record in connection with this colloquy, to make the situation complete.

Mr. FITCH. I will have to send that to you from New York. I do not have it here.

The CHAIRMAN. Mr. Fitch, it is necessary for us to suspend at this time, and we will appreciate it very much if you will appear before us to-morrow morning at 10 o'clock.

The committee will now stand adjourned until tomorrow morning at 10 o'clock.

Thereupon, at 12.45 o'clock p. m., the committee adjourned until to-morrow, Saturday, February 3, 1912, at 10 a. m.

No. 43

UNITED STATES STEEL CORPORATION

HEARINGS

BEFORE THE

COMMITTEE ON INVESTIGATION OF UNITED STATES STEEL CORPORATION

HOUSE OF REPRESENTATIVES

SATURDAY, FEBRUARY 3, 1912

WASHINGTON
GOVERNMENT PRINTING OFFICE
1912

UNITED STATES STEEL CORPORATION.

COMMITTEE OF INVESTIGATION OF THE
UNITED STATES STEEL CORPORATION,
HOUSE OF REPRESENTATIVES,
Saturday, February 3, 1912.

The committee this day met, Hon. Augustus O. Stanley (chairman) presiding.

STATEMENT OF MR. JOHN A. FITCH—Continued.

The CHAIRMAN. You may proceed, Mr. Fitch. Mr. Young was questioning you, I believe.

Mr. YOUNG. I was very nearly through, Mr. Chairman. Mr. Fitch, I understand you have been engaged in a magazine called "The Survey"?

Mr. FITCH. Yes.

Mr. YOUNG. And the work which you have done in examining into labor conditions has been done mainly for the Survey?

Mr. FITCH. Yes.

Mr. YOUNG. Is that a periodical published at regular intervals?

Mr. FITCH. It is a weekly periodical; yes.

Mr. YOUNG. You stated that it was not published for gain. Who are its owners?

Mr. FITCH. I suppose really it is owned by the Charity Organization Society of the city of New York. I am not definitely informed as to that. It is published under the auspices of a committee known as the charities publication committee, and this committee includes men and women in different parts of the United States; for example, there is a representative in Boston, another in Chicago, another in San Francisco, and another in Washington, although the majority of them live in New York, and most of them are connected with the Charity Organization Society of the city of New York.

Mr. YOUNG. Is it an imcorporated organization, or merely voluntary?

Mr. FITCH. The Charity Organization Society is incorporated. I do not believe that the charities publication committee is, though it may be.

Mr. YOUNG. Does this magazine deal with other questions than labor conditions?

Mr. FITCH. Yes, sir.

Mr. YOUNG. With what?

Mr. FITCH. It intends to cover the whole social problem, as far as that may be. It is a sociological magazine.

Mr. YOUNG. Sociology is a pretty broad term. It might include pretty nearly everything.

Mr. FITCH. The Survey includes a pretty broad field.

Mr. YOUNG. How is supported? Is it sold in the market, or is it supported by voluntary contributions?

Mr. FITCH. It is not sold on the news stands. An effort is made to get as many people to subscribe for it as will. After that, we have a list of several hundred people, whom we call "cooperating subscribers," who pay $10 each year. After that, we have a large list of contributors, who give various sums for carrying on the magazine, from $5 up to a thousand dollars. If you would like to have it, I can send you the last report of the publication committee, showing exactly all those things.

Mr. YOUNG. I would like that; but I was only trying to get general knowledge as to what this was. I am not familiar with it.

The CHAIRMAN. Who is the treasurer of this organization?

Mr. FITCH. J. Pierpont Morgan.

The CHAIRMAN. Then it is all right.

Mr. YOUNG. Not necessarily.

Mr. FITCH. Mr. Morgan is treasurer of the Charity Organization Society—not of the fund which maintains The Survey.

Mr. YOUNG. That is all.

The CHAIRMAN. I am anxious, Mr. Fitch, to get a statement of the conditions prevailing in the steel industry of the country that you have seen at first hand, with your own eyes.

Mr. Brandeis has quoted you very fully. Have you read his testimony?

Mr. FITCH. I have read a part of it.

The CHAIRMAN. Have you read the first day of his testimony before this committee?

Mr. FITCH. I do not think I have read the first day's testimony.

The CHAIRMAN. What part of it have you read?

Mr. FITCH. I have read a part of his testimony where he discussed hours and wages. I do not know what day it was.

The CHAIRMAN. On that question of hours and wages he quotes you very voluminously.

Mr. YOUNG. On the question of hours and wages he quotes, mostly, the report of the Commissioner of Labor, does he not?

The CHAIRMAN. In so far as he quotes you there, Mr. Fitch, was this report made by you from your personal observation?

Mr. FITCH. From my personal observation; yes, sir.

The CHAIRMAN. And Mr. Brandeis quotes you correctly in that connection?

Mr. YOUNG. Is not that a pretty wholesale way of getting at it, Mr. Chairman? We have here the witness who really knows the conditions.

The CHAIRMAN. I want to ask about Mr. Brandeis's testimony, so far as you have read it, Mr. Fitch.

Mr. FITCH. Wherever I have read it, he has quoted me absolutely correctly.

Mr. REED. That is, where you have read it?

Mr. FITCH. In so far as I have read his testimony, yes.

Mr. YOUNG. Of course Mr. Brandeis's statement was hardly testimony at all. It was an argument.

The CHAIRMAN. I understand that. That is exactly what I want to find out. Mr. Brandeis based his facts upon the report of the Commissioner of Labor—upon Mr. Neill's report—and upon your book and other statements for which he gave you as authority. I want to know, first, if those facts listed by you were the result of your personal observation; secondly, if Mr. Brandeis quoted you correctly.

Mr. REED. The witness says he has not read all of Mr. Brandeis's testimony, Mr. Chairman.

The CHAIRMAN. So far as he has read it, he says that is true, as. I understand.

Mr. Fitch, have you gone into the homes of these workmen—I would hardly call them homes, perhaps, but their abodes?

Mr. FITCH. Yes.

The CHAIRMAN. Just explain to the committee the manner of their living.

Mr. FITCH. The highly skilled American workman in the steel-mill towns lives very comfortably, indeed. I have been in a good many of their homes and have talked with a good many of them in their homes—such men as rollers and heaters, who, in the Pittsburgh district, draw from $4 to $6 and in some cases $8 a day, and I find they live very well.

I found in all cases, in spite of their present surroundings, a feeling of deep discontent because they had so little time to enjoy those things, because they had so little time with their children or with their books, where they had them, or to enjoy the use of their pianos, etc.

The unskilled laborers, who constitute the great bulk of the industry—over 60 per cent—are the men who receive the rate of 17½ cents an hour in the Pittsburgh district.

I have been in their homes to some extent.

In most cases, judging merely from my observation, I should say that a majority of these men are living as single men: that they are living at boarding houses; and the congestion is something very bad in those districts.

Mr. YOUNG. About what is their age, should you say? Did you notice that especially?

Mr. FITCH. The great bulk of them I should say average 30 years of age. Perhaps I had better say between 20 and 35 years of age.

Mr. YOUNG. They are quite young men, then, on the average?

Mr. FITCH. Yes; men in the prime of their strength. I have been in those houses where the beds stood in the bedrooms about as thick as they could be and leave space to walk between them. I have found men sleeping in the beds in the daytime, and have been told that other men slept in the same beds at night. I have been in a good many of those houses where there was only one room in the house, where there were no beds, and that was the kitchen and dining room, and in some places I have found cases where even the kitchen and dining room had to make way for the bed for the head of the house.

Mr. YOUNG. It is a fact, is it not, Mr. Fitch, that people who live under those conditions live at a cost of a few cents a day?

Mr. FITCH. I think they must.

Mr. REED. And apply their money to other purposes than subsistence? They either ship it abroad or else save it?

Mr. FITCH. I do not think that they have a very large amount to ship abroad. I know that they do send some money abroad. Many of them are men who are supporting families in Europe.

The CHAIRMAN. What are the conditions of those beds? What sort of beds are they? While the beds are crowded are they not clean, white, presentable, and are not the rooms well ventilated?

Mr. FITCH. They are usually in a wretched condition. The beds are usually without linen, frequently nothing but an old mattress with a few quilts in a heap on top. I have been in some few places where there was linen, usually unwashed for quite a period of time.

Mr. REED. Mr. Chairman, are we not trenching on the privileges of this proposed committee to investigate the cost of living? It seems to me this is a little remote.

The CHAIRMAN. It is very interesting.

Mr. REED. It is very interesting indeed, but a little remote, I suggest.

The CHAIRMAN. Why do they not clean these beds when the men get up and leave them? Does not the man have 12 hours' work before he comes back, thus allowing time enough to arrange these rooms? How do you account for that revolting condition which you have described?

Mr. FITCH. It is due to several things, I think, Mr. Chairman. It is partly due to the fact that there is another group of men coming in to sleep on the same beds, so that there is not 12 hours' time in which to clean the rooms; perhaps only a very brief space of time.

It is due, again, to the fact that these foreign workmen, many of them, have come from country towns or farms in Europe, and they do not understand anything about the hygienic necessities of cleanliness, especially in a congested district.

It is due, again, to the fact that the one woman who usually has charge of one of these boarding houses is desperately overworked in taking care of the large number of men who occupy her rooms, so that it becomes practically an impossibility for her to keep her house well, even if she was desirous of doing so.

I have been in houses similar to that, however, where everything was scrupulously clean.

My observation leads me to believe that if a little opportunity be afforded these people, or if an example be set for a time in their midst, that they desire cleanliness, and will have it.

Mr. YOUNG. Do you know what they pay for such boarding and lodging as you have described?

Mr. FITCH. I would not want to say anything as to that. It would be merely a guess on my part, and worth very little.

Mr. REED. It is about 10 cents a day, is it not?

Mr. FITCH. I have no idea.

Mr. STERLING. How much?

Mr. REED. Ten cents a day.

Mr. FITCH. Per man?

Mr. REED. Per man.

Mr. STERLING. Not for meals, too?

Mr. REED. Including everything but his supper, I understand?

Mr. STERLING. Ten cents a day?

Mr. REED. Yes; I understand so. I am not testifying, of course.

The CHAIRMAN. How many American citizens did you find sleeping in beds that were filthy, without linen, crowded into single rooms, occupied by other tenants the moment they left? How many American citizens did you find living in that sort of squalor and practicing that sort of economy?

Mr. YOUNG. Do you mean American citizens, or American-born citizens?

The CHAIRMAN. Either. Either foreigners who, like the Finns and Germans come here to become American citizens, or men born under the flag; I do not make much distinction between them?

Mr. FITCH. I do not think I have ever found an American-born citizen living under those conditions, Mr. Chairman. I have no knowledge as to how many of the men may have been naturalized citizens.

The CHAIRMAN. Did you find any Irishmen, Germans, or Swedes, or Finns, or Norwegians living under those conditions?

Mr. FITCH. No.

The CHAIRMAN. Who are these creatures? Where do they come from?

Mr. FITCH. There are mostly what the Immigration Commission calls men of the newer immigration; men from southern Europe, from Italy, and Austria-Hungary.

Mr. BARTLETT. Syrians, Poles, Roumanians, and Italians?

Mr. FITCH. Yes.

Mr. YOUNG. Do they include many Syrians and Asiatics?

Mr. FITCH. There are some Syrians engaged in the iron and steel industry. I think the proportion is rather low, however.

Mr. YOUNG. You say these men live as single men. Have they families? Do many of them have families? If so, where are their families?

Mr. FITCH. In Europe. There are men with families living in Europe. There are many foreign immigrants who have been able to get their own homes, and who live independently as families, even without boarders. My observation, however, would lead me to believe that a majority of them are living as boarders, and that a majority, or at least a very large number of those whose families are living in this country are maintaining boarding houses, and taking in other single men as boarders.

The CHAIRMAN. Among the men receiving this 17½ cents a day wage, did you find any laborers with families, whose wives were not also engaged in some gainful occupation, such as washing for other people, or making other people's beds, or cooking for other people, or something of that kind?

Mr. FITCH. I never made any definite study as to that, Mr. Chairman. There may be such women, who are not working for outsiders; but, in the districts where I have gone into their houses, I should say that the most of them are taking in boarders or doing some work.

May I suggest, Mr. Chairman, that Miss Margaret Byington, of New York, is a lady who made a careful study of the very thing about which you are asking me, in the town of Homestead, and she could probably answer all of your questions, even about what it costs these men to live, very readily. I should be glad if you would ask her in regard to those things. She wrote a book on the subject.

The CHAIRMAN. What is the title of that book?

Mr. FITCH. Homestead.

The CHAIRMAN. I believe I have it.

You were speaking yesterday, Mr. Fitch, in talking with Mr. Young, about the average wage paid these foreigners, these Poles, Bohemians, Hungarians, and Italians, and it was suggested that you try to get that information between the time you were excused yesterday and the time you began your testimony to-day. Have you that data?

Mr. FITCH. Yes. I mentioned the fact yesterday that in glancing hastily through the abstract of the report of the Immigration Commission on "Manufactures and mining," I found that the annual income of iron and steel workers was lower than that of any other industry which they covered in their investigation.

I have brought together those figures now, and I shall have to correct that statement in one instance. I find that in the woolen and worsted industry the average annual income of all males 18 years of age and older investigated by the commission was $346. That was exactly the same amount that was found for the iron and steel industry.

The average annual income of male heads of families in the woolen and worsted industry was $400, as against $409 in the iron and steel industry. In all of the other industries covered, however, the annual income was higher than that of iron and steel.

The CHAIRMAN. What industries were those?

Mr. FITCH. Slaughtering and meat packing, bituminous coal mining, glass manufacturing, woolen and worsted, silk goods, cotton goods, clothing, boots and shoes, furniture, collars and cuff and shirt manufacturing, leather tanning, glove manufacturing, oil refining, and sugar refining.

Mr. REED. For what year is that?

Mr. FITCH. I learned yesterday from agents of the commission that these figures can not be definitely said to apply to any one year. The investigation began in the fall of 1908, and was carried through until the end of June, 1909. It was very broad in its scope, and the agent asked each head of a family from whom they secured definite information what his income had been, or, rather, I suppose they took it from the pay roll of the company; and they secured the annual income for the last year. Some of these incomes would be for 1907 and 1908, some of them for 1908 and 1909, and some of them would be all in 1908. But part of them being before the panic and part of them being after the panic possibly the errors balance each other, and we have a correct statement.

Mr. REED. It seems unfortunate that they should have picked a period of such great depression in the steel business, however.

The CHAIRMAN. What is the comparative regularity of employment in the steel industry and other industries?

Mr. FITCH. Of course, this low rate in the steel industry is explained only on the basis of the irregularity of employment.

I have here also the average weekly wage, and I found that that of iron and steel is higher than in any of the other industries. So that if the men had worked regularly every week in the year their incomes would have been much larger than in any of the other industries. In fact, there are only two other industries that approach iron and steel, namely, clothing, with a weekly wage of $13.30; and oil refining, with a weekly wage of $13.81; as against iron and steel, with a weekly wage of $14.35.

I secured a table from the Immigration Commission tending to show——

Mr. YOUNG. That is the congressional immigration commission to which you refer?

Mr. FITCH. Yes. It tends to show something as to the regularity of employment, first, in the iron and steel industry. They secured information here from 4,550——

The CHAIRMAN. Before you go into that. You speak of the weekly wage in the steel industry. That in many instances includes seven days in the week. Do these other industries work six or seven days in the week?

Mr. FITCH. So far as I know all of these other industries are six-day industries. Yes; I think all of them are.

They secured information from 4,550 employees in the iron and steel industry and 20 per cent of them worked the full 12 months: 44 per cent worked 9 months and over; 75 per cent worked 6 months or over; which, of course, leaves 25 per cent that did not work even 6 months; 94.2 per cent worked 3 months and over, leaving only 6 per cent who did not work as much as 3 months.

Mr. YOUNG. Will you not make those tables to which you refer a part of your testimony, so that we may have them in connection with your statements?

Mr. FITCH. Certainly.

The tables referred to are as follows:

	Average weekly wage.	Average annual income, all males 18 years of age or older.	Average annual income, male heads of families.
Iron and steel	$14.35	$346	$409
Slaughtering and meat packing	.....	557	578
Bituminous coal mining	.....	443	451
Glass manufacturing	.....	574	596
Woolen and worsted	10.49	346	400
Silk goods	12.50	431	448
Cotton goods	9.68	.....	470
Clothing	13.30	513	530
Boots and shoes	12.10	502	573
Furniture	11.67	575	598
Collars and cuffs and shirt manufacturing	12.56	637	662
Leather tanning	10.64	431	511
Glove manufacturing	12.33	625	650
Oil refining	13.81	591	662
Sugar refining	11.82	522	549

GRAND TOTAL.

Industry.	Number reporting complete data.	Per cent working—			
		12 months.	9 months or over.	6 months or over.	3 months or over.
Agricultural implements and vehicles	683	42.6	83.0	94.1	98.0
Cigars and tobacco	164	73.2	90.9	97.0	99.4
Clothing	1,135	37.8	73.7	95.4	98.9
Coal mining, anthracite	1,011	9.0	76.1	96.4	99.3
Coal mining, bituminous	3,928	16.8	46.9	88.1	99.0
Collars and cuffs	263	63.5	92.8	97.3	99.2
Copper mining and smelting	718	93.5	98.7	99.9	99.9
Cotton goods	2,037	42.9	79.1	92.3	97.9
Furniture	446	54.5	88.8	98.0	99.3
Glass	794	53.8	77.7	90.8	99.0
Gloves	336	80.4	92.6	98.8	100.0
Iron and steel	4,550	20.0	44.1	75.0	94.2
Iron-ore mining	295	60.3	83.7	95.6	99.3
Leather	805	38.6	65.2	87.1	96.6
Oil refining	889	62.7	79.6	97.3	99.4
Shoes	1,162	29.9	64.1	90.9	98.3
Silk goods	366	38.3	61.7	91.3	98.1
Slaughtering and meat packing	1,447	54.7	80.1	96.8	99.4
Sugar refining	393	61.1	82.4	96.2	99.2
Woolen and worsted goods	767	37.3	67.0	89.8	97.7
Diversified manufactures	5,720	41.4	76.4	95.5	98.9
Total	27,909	37.1	67.6	90.5	98.0

[Chapter IV.—Working conditions—Regularity of employment—The immigrant and organized labor. (Text tables 62 to 67 and general table 19).]

REGULARITY OF EMPLOYMENT.

The table next presented shows the months worked during the past year by males of the households studied who were employed away from home and who were 16 years of age or over. The exhibit is by general nativity and race of individual.

TABLE 62.—*Months worked during the past year by males 16 years of age or over employed away from home, by general nativity and race of individual—Study of households.*

[This table includes only races with 20 or more males reporting. The totals, however, are for all races.]

General nativity and race of individual.	Number reporting complete data.	Per cent working—			
		12 months.	9 months or over.	6 months or over.	3 months or over.
Native born of native father:					
White	171	34.5	60.2	83.6	97.1
Negro	147	49.0	87.8	95.2	99.3
Native born of foreign father, by race of father:					
English	30	26.7	60.0	90.0	100.0
German	49	14.3	38.8	71.4	93.9
Irish	94	29.8	50.0	73.4	93.6
Slovak	20	20.0	35.0	80.0	95.0
Foreign born:					
Bohemian and Moravian	20	10.0	35.0	65.0	90.0
Bulgarian	540	6.7	22.4	72.2	94.3
Croatian	398	23.9	47.2	71.1	89.7
English	26	30.8	53.8	80.8	96.2
French	55	29.1	67.3	94.5	100.0
German	100	16.3	43.1	77.5	93.8
Greek	146	17.8	41.1	70.5	99.3
Irish	78	26.9	55.1	80.8	96.2
Italian, North	81	29.6	56.8	90.1	98.8
Italian, South	599	16.7	50.8	85.6	96.3
Macedonian	90	6.7	34.4	61.1	94.4
Magyar	480	17.1	36.3	61.3	91.7
Polish	520	19.5	38.8	72.2	94.1
Roumanian	102	20.6	35.3	63.7	85.3
Ruthenian	87	35.6	54.0	81.6	94.3
Scotch	49	26.5	63.3	85.7	100.0
Servian	183	5.5	17.0	54.9	84.6
Slovak	273	22.3	56.4	80.2	90.3
Slovenian	50	32.0	58.0	86.0	100.0
Grand total	4,550	20.0	44.1	75.0	94.2
Total native born of foreign father	251	25.1	50.2	78.5	95.6
Total native born	569	34.1	62.9	84.4	97.0
Total foreign born	3,981	18.0	41.4	73.7	93.8

The foregoing table shows 4,550 persons reporting complete data. A large proportion of this number report as having worked three months or over, while only 20 per cent report as having worked 12 months.

Mr. FITCH. The first table which I quoted was one which I made up myself from the abstract here, which I think is clear. In volume 19—I have only the galley proof here, but I am told that this is volume 19, chapter 4——

Mr. REED. Of what?

Mr. FITCH. Of the Immigration Commission's report; there are tables comparing different industries as to regularity of employment. I find in this table are included the manufacture of agricultural implements and vehicles, cigars and tobacco, clothing, coal mining—anthracite coal mining—bituminous, collars and cuffs, copper mining

and smelting, cotton goods, furniture, glass, gloves, iron and steel, iron-ore mining, leather, oil refining, shoes, silk goods, slaughtering and meat packing, sugar refining, woolen and worsted goods, and diversified manufactures—I do not know to what that refers.

Mr. YOUNG. Right there, Mr. Fitch, do you know whether this commission made any investigation as to whether the men in those employments—who worked only a portion of the year—were employed in some other industry during the whole or part of the remaining time?

Mr. FITCH. I do not know whether they made any such investigation or not.

Mr. YOUNG. What made me ask that question is that you spoke of iron mining on the Mesabi Range, and there is very little work done there in the winter, but most of those men drift into the lumber camps, or something of that kind, and then come back in the spring to the iron mining, and are, therefore, pretty regularly employed.

I speak of that one industry, about which I happen to know. I was anxious to know if there was anything to show that fact in regard to the other industries to which you have referred.

Mr. FITCH. I do not know. It was suggested yesterday that Mr. Husband, secretary of this commission, be called to answer these questions that arise.

I am told by Mr. Husband that Mr. W. J. Lauck is the man who conducted the field investigation and knows more about these particular things than does Mr. Husband. I earnestly recommend that you ask him for these things.

I find in this table that 60 per cent of all the employees who are engaged in the iron-ore mining worked 12 months, while only 20 per cent of the employees in iron and steel manufacture worked 12 months. And of all of the industries covered, the percentage of employees working 12 months is lower in the iron and steel industry than in any other, with the exception of anthracite and bituminous coal mining.

The CHAIRMAN. You were speaking yesterday, Mr. Fitch, of the sentiment in favor of the organization of the steel workers at certain points. What is the sentiment or the attitude of the men, skilled and unskilled, engaged in the steel industry as to the propriety or advisability of working as organizations—making their bargains collectively or working as individuals?

Mr. FITCH. The information that I have on that comes from the skilled men or the semiskilled men exclusively—or, rather, the English-speaking men, because it is very unsatisfactory for one who does not speak their languages to attempt to get information from the Slavic immigrants.

Of the English-speaking men, practically all with whom I have talked believe that their only sure defense against injustice is organization. I do not know whether the immigrants have the same feeling or not. Where the immigrants have finally been moved to organize, for one cause or another, they have been more tenacious in their hold upon their right to organize even than the Americans, as was evidenced in the strike at the Pressed Steel Car Co.'s plant at McKees Rocks a couple of years ago—a very bitterly contested strike—and the employees there were principally of this class of foreigners.

I should like to say a word, if you do not mind, Mr. Chairman, in general, in regard to what I conceive the situation to be in the steel industry with respect to labor organizations.

The CHAIRMAN. Certainly.

Mr. FITCH. I am not here holding any brief for a labor organization. I have no connection either with corporations or with labor organizations. I can conceive of a situation where a labor organization would be a very dangerous thing, where it would have to be resisted by the public in order that the public may have its own rights, just as occasionally a corporate organization has to be resisted by the public. The reason for that is that, as I think I pointed out yesterday, each side, each class, is working for exactly the same thing, namely, all the money that they can make out of industry. It is not a vicious thing on either side. It sometimes seems to be considered a more wicked thing for employees to attempt to form organizations and ask for high wages than it is considered for a group of capitalists to get together to form an organization.

Mr. YOUNG. I do not think you will find anybody on this committee that holds any such idea as that, Mr. Fitch.

Mr. FITCH. I am glad to know that, Mr. Young.

Mr. REED. There seems to be a strong sentiment against any such action on the part of employers, Mr. Fitch, especially in the steel industry.

Mr. FITCH. I had not heard any such sentiment as that.

Mr. BARTLETT. I have no objection to a union of employers so long as they do not violate the law or combine for purposes which will injuriously affect the public, so far as I am concerned.

Mr. FITCH. And that is the position I would like to take in regard to both organizations.

We have in the steel industry great organizations of capital—a good many different organizations—not only the United States Steel Corporation, but a good many other very strong capitalistic organizations.

We have no machinery of law to protect the workmen nor to require of the employers in these various concerns that they shall pay the workmen a fair wage, and that they give them a fair working day; that they do not require too great a task. The only defense which the employee has against such exactions, and against a wage that will make it impossible for him to live according to American standards, is his own power to bargain.

If he must bargain as an individual, his power is practically nil. I might just as well bargain for the purchase of the New York Central Railroad. I could talk about it with somebody, but I could not buy it. So the employees can talk to a representative of the United States Steel Corporation about his wages, but as an individual he has absolutely no bargaining power.

Under the conditions that prevail in this country there is no power to require the United States Steel Corporation to be fair to its employees other than the willingness of the corporation to be fair, or the power of the workmen to combine and tie up the industry through strikes, if the employers do not accede to their requests.

To my mind that is a very unfortunate state of affairs; a very unfortunate state of affairs, even if the men were highly organized, so

that they could make demands. I think, however, that that would be better than to leave justice to the will of the employers when, as I have pointed out before, the employers are moved all the time by a desire for high dividends, and it must be that that desire for high dividends is irreconcilably opposed to the desire of the employee for high wages.

Even if you have a strong organization of labor, however, and a strong organization of capital, and there is peace, so called, in the industry, it is nothing but an armed truce; because neither side will want to make any very great aggression for fear that the other side will injure them.

That is a situation that we abandoned as regards conflicts between individuals a great many years ago—trial by battle. Why can we not fix, as a public, certain minimum standards of employment, require certain minimum standards and conditions of decency, and, then, if there be a dispute with the public, having seen to it that conditions in the first place approximate justice, we will have a right to have something to say about that dispute?

The CHAIRMAN. You are in favor of some board of arbitration, I suppose?

Mr. FITCH. I am especially in favor, Mr. Chairman, of the kind of a board of arbitration which investigates and makes its findings public. I think the Canadian industrial disputes act has done more good in Canada than any board of actual arbitration we have ever had in this country, because it investigates disputes and makes the findings public. Public opinon, then, has a chance to operate, and if anybody has seriously violated the rights of another, the general public is going to judge pretty rightly with regard to that.

Mr. YOUNG. This commission of which you speak, of Canada, has no power to enforce its decisions except through the force of public opinion, has it?

Mr. FITCH. None whatever; and, as a matter of fact, the force of public opinion has operated so strongly in Canada that many disputes have been settled simply because the facts have been placed before the public.

In New York State there was, two years ago, an instance of the same thing. New York really has a law which practically gives them the same power that the Canadian industrial disputes act gives them in Canada, but it has been very seldom called into operation. Two years ago there was a strike in the paper industry which tied up the paper-making plants largely through New York and New England, and an investigation was set on foot by the New York State Bureau of Arbitration with the intention of making its findings public. They held about three public hearings, and then it became possible for the two sides to get together and settle their differences. It had been absolutely impossible before that. The strike was brought to an end and inconvenience to the public was avoided, and peace came to that industry where, if the facts had not been laid before the public, the strike might have continued indefinitely.

The CHAIRMAN. I should like to ask you about another matter. I do not mean to be understood as having in my own mind any definite plan in the matter, but I see you have made a careful investigation of this question. What do you think about the proposition,

not so much as to the restriction of immigration as the selection in immigration, a policy which would not only investigate the physical condition of the immigrant, but his nationality, his capacity for labor, his intelligence, his skill in the particular character of employment, the object of his coming, and his destination?

Mr. FITCH. I have not any well worked out theory, Mr. Chairman, as to how immigration should be restricted. I feel it ought to be restricted in order to give America—the United States—a chance to adjust itself from time to time.

The CHAIRMAN. This thing seems strange to me: Here on the Mesabi Range, away up at the western point of the Great Lakes, 100 miles back from the nearest town of any size, in a bleak climate, I find from the Bulletin of the Bureau of Labor No. 84, September, 1899, a reference to the vast numbers of immigrants from southern Europe—Croatians, Bulgarians, Bosnians, Dalmatians, Hungarians, Koreans, Macedonians, Magyars, Montenegrins, Roumanians, Slavs, Slovaks, and what not, in great numbers, the great majority remaining in this country but for a brief period. For instance, out of about 1,200 or 1,500 Croatians only 59 remained in this country over 10 years, and the same is true of Bulgarians; some several hundred of them came over here, and only one remained over 10 years. Of the Slavs vast numbers came over and only a few remained.

I note this statement:

Of the 12,118 employees—

This is of the Oliver Iron Mining Co. alone—

of this company, in 1907, only 1,879 were native born, those of foreign birth being 84.4 per cent of the total number employed. Almost half of the foreign born, 49.3 per cent, had not resided in the United States over two years.

And the vast majority of them returned.

I find that 263 Finnish immigrants remained one year; 216 remained over 10 years.

Of the English, there were only 9 that left at the end of one year; 2 that left at the end of 6 years; only 2 that left at the end of 7 years, and 114 that remained over 10 years.

Mr. YOUNG. When you say "remained," you mean that remained in this country?

The CHAIRMAN. Yes.

There seems to be a vast influx into that region, and these new immigrants, Slavs, Bohemians, Montenegrins, that come and remain but for a brief period and return; how do you account for it, Mr. Fitch?

Mr. FITCH. I think they are trying to better their condition in Europe by availing themselves, for a brief time, of a wage which is much higher than they can secure there, and of which they can save a considerable proportion by living in the manner that I have described. I do not know how they live on the Missabe Range, but the same thing is taking place in the iron and steel manufacturing centers. These foreigners are coming over and trying to save a lot of money and trying to spend as little as possible while they are here, and many of them with the intention of going back after a few years.

The CHAIRMAN. Have you any idea how they are secured? These are ignorant men. They can hardly read and write their own lan-

guage, a great many of them; they are young; there is a law against contract labor; how is it that this vast army, 12,000 strong, sweeps in and out of our country, practically without restraint? Do they come of their own will? Is there no influence inducing them to come and bringing them here, either by contract or promise of employment, before they leave their own country? Have you investigated that?

Mr. FITCH. I have not investigated it, Mr. Chairman. I have made some inquiry of the Immigration Commission, from which I have quoted, and they investigated that to a considerable extent. My impression is, although I can not cite the page or volume, that they came to the country—that the vast majority of these foreign workmen came—because some one of their village has gone before, and word goes back of a man getting $2 a day, which is affluence, and the little farmers and farm laborers want to follow and participate in these riches that can be picked up so easily.

Then, I have no doubt the steamship companies have a great deal to do with large numbers of them coming, through advertising, and one way and another, but I have not yet heard anyone who has made an investigation of the question express an opinion that they know of very much violation in the contract-labor law in bringing these men to this country.

Mr. BARTLETT. Have you anything which would lead you to conclude that the steel manufacturers, or the steel corporations, seek this kind of labor and induce it to come—I do not mean that they make contracts, but whether they hold out any inducements, and whether they would like to have or prefer this kind of labor?

Mr. FITCH. I think they are glad to have it. I do not believe, however, that the Steel Corporation or any other steel company has to encourage these men to come. I think they are coming without any encouragement of that sort in the manner that I describe.

These letters going back to the old countries and these remittances going back from time to time have a wonderful influence.

I have reason to believe that this class of labor is desired by the Steel Corporation for a number of reasons.

Mr. BARTLETT. Just there. Do they make any earnest effort to secure American labor in preference to this kind of labor? Do you know anything about that?

Mr. FITCH. I could not find when I was in the Pittsburgh district that they did. I was rather puzzled by the fact that the foremen in the steel mills always expressed the opinion to me that they would prefer American labor—the foremen who hired their own labor. They always stated that as their own opinion, and yet I never could find that they make any effort to secure American labor. The statement was frequently made that it could not be secured even if they did try. Probably there is a good deal in that. Yet it seemed to me that greater efforts could have been made.

Mr. BARTLETT. I noticed in this book of yours that you have published here an advertisement from a newspaper, the Pittsburgh Gazette, on July 15, 1909, during the strike at the tin mills, in which it was published that "Syrians, Poles, and Roumanians" were preferred.

Did you know anything about that? Did you see that?

Mr. FITCH. I saw that ad in a Pittsburgh paper, and it struck me as so significant that it ought to be preserved. That was why I did it. I do not know of the connection between any steel company and the labor agency that seems to be responsible for that ad. However, there was a strike at that time in the sheet and tin mills of the United States Steel Corporation, and the ad called for men to work in open sheet and tin mills, which also struck me as rather significant.

Mr. REED. If the Chairman will pardon me, I would like to ask this: Did you construe that advertisement to mean that these three nationalities were preferred to Americans, or that they were preferred to other classes of foreigners?

Mr. FITCH. I took it for just what it was worth. It says those three nationalities preferred. There was nothing said about their being preferred to any other nationality.

Mr. BARTLETT. Has the employment of this influx of foreign laborers had the tendency to drive out the American labor and make them seek employment elsewhere, in other fields?

Mr. FITCH. I do not think that can be shown. There have been waves of immigration to this country, and native-born Americans a long time ago stopped doing common laborers' work. Fifteen years ago the Irish were laying the railroads and digging the ditches, and so on. The Irish are a very aggressive and energetic group of men, and they have worked up to better jobs, as a rule. In the blast furnaces, for example, 20 years ago the blast furnaces were manned by the Irish. I talked with a number of Irish foremen, who still linger on at the blast furnaces, and they told me that their friends who had formerly worked with them in the industry had been able to get better work to do. As one of the foremen put it to me, the Irish do not have to work 12 hours a day and 7 days a week and they will not do it.

Mr. BARTLETT. Is that one of the causes which has made the Irish and the Americans give up this work—the 12-hour day and the Sunday work? Is that one of the reasons?

Mr. FITCH. I think undoubtedly that is one of the reasons for their leaving.

Mr. BARTLETT. The foreigner does not object to 12 hours nor to the Sunday work if he gets pay for it?

Mr. FITCH. The foreigners perhaps even prefer that, because, as has been pointed out in many instances, they are here to get a "stake," as they put it; and they want to get it just as quickly as they can; just as the miner who goes to Alaska for gold will subject himself to almost any hardship for a brief period of time to get his pile quick and come back to civilization. So the foreigner, who really has very much more respect for himself than the casual observer would think from the way in which he lives, is a pioneer in the same sense that the miner in Alaska is.

Mr. BARTLETT. He is a sort of migratory immigrant, is he?

Mr. FITCH. Yes.

Mr. BARTLETT. With no intention of becoming a permanent resident or citizen?

Mr. FITCH. After being here a few years many of them change their minds and decide that they do want to become permanent residents and citizens of this country.

The CHAIRMAN. What races are those that abide with us and what races do not?

Mr. FITCH. I do not think I could give any information on that at all. I think the Immigration Commission report will give a great deal on that, however.

Mr. REED. Do not a great many of them go back to their native country and return again to America?

Mr. FITCH. Yes. I was just going to point that out. A great many who come for the purpose of getting a "stake" and going back, after having lived in Europe again for a little while, find that it is not as satisfactory to them as they thought it would be, and they come back here again.

Mr. BARTLETT. Perhaps the "stake" gives out.

Mr. FITCH. Perhaps. A great many of them come back, then, with the intention of becoming permanent residents and possibly citizens.

Mr. BARTLETT. Do you think a requirement as to education would lessen the tide of immigration?

Mr. FITCH. Yes; it would have that effect, I think.

Mr. BARTLETT. What extent of education would you think would be required to lessen it perceptibly?

Mr. FITCH. As I say, I have not worked out any theory on that. I would rather not go into that very far. I think, however, that you would not have to make your requirement very high in order to exclude a great many of them. I will say that.

Mr. BARTLETT. Have you any information at hand, from any investigation you have made in Pittsburgh, as to how many of those foreigners who were there were illiterate?

Mr. FITCH. No, sir; I have no information as to that at all. I have some information as to the number of them that speak English, which, I think, I gave you yesterday.

Mr. BARTLETT. Yes. You have no statistics to show what portion of them are illiterate?

Mr. FITCH. No, sir.

The CHAIRMAN. Do men of family, men with children, men who have the desire or disposition to spend one day in the week, or a part of it, in their spiritual betterment, either for themselves or for their children, have any inducement with so little a wage as 17½ cents an hour to continue in this seven-day employment?

Mr. FITCH. Mr. Chairman, a great majority of these men are very religious men. I do not know, but I judge a very high proportion of them are communicants in various churches, largely Greek and Roman Catholic. These men do attend church services, undergoing frequently great hardship to do it, getting up very early Sunday morning and attending early mass and after that going to their 12-hour labor, and sometimes to their 24 hours' continuous labor, after attending early mass. That is a factor which I think we need to take into consideration. Are we, by a seven days' schedule, by an industry which operates on the Sabbath, to eliminate that religious element, which is a very important element among the immigrants who are coming to America?

I was very much impressed last winter in meeting a very high-grade Slovak, who has lived in this country for 12 years, who had a

very neat and well-kept home, and who was a self-respecting, intelligent appearing man, who told me that, after 12 years here, he was preparing to go back to his native country, not because he was not able to make a living in this country, not because he had intended to go back when he came, but because he was determined that his children would not have to work seven days a week and should have an opportunity to worship God.

The CHAIRMAN. Where do the children of these men live? What becomes of them where they are in densely crowded places and where the head of the family works 12 hours a day? Who looks after them? Did you make any investigation into that condition of affairs?

Mr. FITCH. Not particularly. Where there are children in these congested districts, they are living also in these houses where boarders are occupying the rooms in the manner I have described. They necessarily play in the streets and looked after very little, I should imagine.

I want to say, however, that a very hopeful element in the situation lies right there—that those children attending American schools and becoming acquainted with American standards, are very much superior to their parents, and as to intelligence generally compare very favorably with American-born children. They have higher standards than their parents and never will be willing to live in the way their parents live.

The CHAIRMAN. These people do not speak the same language as the foremen and there are 30 or 40 per cent of them who do not speak the English language at all. How do they get them to work?

Mr. FITCH. There is rather an elaborate sign language that the foremen use. However, the tendency is, I think, to get as foreman of a labor gang an immigrant who can speak English or to have one next to the foreman through whom he can communicate orders to the rest of the gang.

The CHAIRMAN. What is he called?

Mr. FITCH. The foreman of the labor gang is called in the Pittsburgh district the pusher.

The CHAIRMAN. Who does he push?

Mr. FITCH. He pushes the gang.

The CHAIRMAN. Explain how that is.

Mr. FITCH. It is done in various ways, through motions and profanity.

Mr. REED. Rolling-mill English?

Mr. FITCH. Yes. The effort is made to induce the gang to get a move on.

The CHAIRMAN. Do you know whether this condition prevails in other countries? Do you know whether this condition or system of espionage to discover incipient conspiracies for the purpose of forming labor organizations, and this 12 hours a day and 7 days in the week régime, prevaile in Great Britain, for instance?

Mr. FITCH. I do not know anything about it as to a system of espionage there. Labor organizations are much stronger in the iron and steel industry—I had better say they exist in the iron and steel industry. They do not exist here. They have been able to secure an eight-hour day in a number of mills and furnaces in Great

Britain. Three or four years ago a considerable proportion of the iron and steel establishments were operated on that basis. If any change has been made since that time, I think the proportion has increased of the eight-hour establishments.

The CHAIRMAN. Mr. Dinkey, before some committee here, advanced a rather surprising theory that you could not operate eight-hour shifts with an open-hearth furnace. Do you know whether that is done in Great Britain or not and whether it can be done?

Mr. FITCH. It is being done in Great Britain. I have asked superintendents and mill engineers in this country whenever I have had opportunity whether it was possible to operate an open-hearth furnace on eight-hour shifts, and they have all agreed it is.

The CHAIRMAN. Have you ever asked the high-class skilled men who are trained in the business and who are thrown in contact with these day laborers to explain how these men could work and live on the wage they were receiving and support families, if they have them, and whether they would care to become American citizens?

Mr. FITCH. Yes.

The CHAIRMAN. Have you ever made any inquiry of the steel people themselves?

Mr. FITCH. I usually ask the foremen and superintendents, and I have asked managers and presidents about that, and they all say they do not know. I never have been able to secure any other information.

The CHAIRMAN. They did not know how they lived on what they received?

Mr. FITCH. They could not understand how they lived on what they received.

Mr. BARTLETT. Have you ever made any inquiry in the direction of what part labor plays in the unit of a ton of pig iron?

Mr. FITCH. No; I never have. I never have investigated the question of labor cost.

Mr. BARTLETT. Not particularly cost, but, for instance, take a ton of pig iron produced and selling at so much, what particular portion of that ton of pig iron would labor get out of that unit?

Mr. FITCH. No; I never have made any such inquiry.

Mr. YOUNG. You have not investigated the commercial and financial side of this question at all, have you?

Mr. FITCH. Not at all.

Mr. YOUNG. You have investigated the condition of the men?

Mr. FITCH. Yes.

The CHAIRMAN. Have you ever investigated labor conditions in the Birmingham district?

Mr. FITCH. Somewhat.

Mr. YOUNG. Before you go into that, Mr. Chairman, I have in my hand this bulletin of the Bureau of Labor, No. 84, for September, 1909, to which the chairman referred a short time ago, and I think the chairman misconstrued these figures as to the time of residence in this country. I understood the chairman to say that these men came and stayed, so many one year and went back, and so many two years and went back, and so forth.

An examination of the table would seem to indicate that it does not mean that at all, but that it means the number of years the men

had lived in this country at the time the table was made, and has no reference to what became of them afterwards, whether they remained here and became American citizens or not.

I think if the chairman reads that over again, as set forth on pages 344 and 345, he will see I am correct.

The CHAIRMAN. The table states the residence in this country. I presume they started to reside in this country and went home.

Mr. YOUNG. Oh, no; the heading of this table is this: "Length of residence in the United States of foreign-born employees of the Oliver Iron Mining Co., May 1, 1907, by race or people."

I take it that means very clearly how long they had lived here, when they made up that table. Some had lived one year, and from that up to 10 years and over.

I see also on page 344 this statement:

> Of the population of St. Louis County, 84 per cent reside in cities or villages, which is very conclusive as to the predominance of the iron-ore industry.

As everybody familiar with the district knows, St. Louis County, outside of Duluth, is practically an iron-ore field. That is all there is there.

The table there shows that St. Louis County outside of Duluth contains a total population of 52,571, of whom 24,642 were native born and 27,921 foreign born, a little more than one-half.

The CHAIRMAN. I think you will find, Mr. Young, that St. Louis is rapidly becoming more than a mere ore field and wilderness.

Mr. YOUNG. Not wilderness at all, but not very much outside of the ore field.

The CHAIRMAN. Are there not farmers up there?

Mr. YOUNG. Oh, yes; and so you will find them in my county.

The CHAIRMAN. When were you there last?

Mr. YOUNG. I was there last about two years ago.

The CHAIRMAN. Since that strike, when those peons were expatriated from the ore field, they settled all around there.

Mr. YOUNG. I am very familiar with that, and they are the very men who went from the mines.

The CHAIRMAN. Yes; they had to go.

Mr. YOUNG. But there is a population of nearly one-half native born.

The CHAIRMAN. With your permission, and to save further discussion, I will just put that table in the record and let it speak for itself.

Mr. YOUNG. It would have to begin with the article on population and nationality.

The CHAIRMAN. It is a very interesting article, and with the permission of the committee I will just insert that article in the record.

Mr. YOUNG. I will be glad to have that done. This also takes in some of the Michigan field, although it is under the head of "Minnesota iron ranges." I would like to have that inserted in the record, too.

The CHAIRMAN. That portion of the article entitled "The Minnesota iron ranges," by G. O. Virtue, Ph. D., headed "Population and nationality," beginning on page 343 of the bulletin of the Bureau of Labor No. 84, issued September, 1909, may be inserted in the record.

The matter referred to is as follows:

POPULATION AND NATIONALITY.

The mines have attracted a population remarkable in several ways. The increase of numbers has been rapid. The following table shows the population of the chief range communities in 1895, 1900, and 1905:

Population in the chief mining communities of St. Louis County, Minn., 1895, 1900, and 1905.

[From the Fifth Decennial Census of Minnesota, 1905, p. 42.]

Localities.	1895	1900[1]	1905	
			Number.	Per cent of increase over 1895.
Aurora village	.....	.....	336	.....
Biwabik township	365	500	541	48.2
Biwabik village	1,011	1,299	946	[2] 6.4
Breitung (including Soudan)	1,954	2,034	1,344	[2] 31.2
Buhl village	.....	.....	788	.....
Chisholm village	.....	.....	4,231	.....
Ely city	2,260	3,717	4,045	79.0
Eveleth city	764	2,752	5,332	597.9
Fayal township	222	1,016	1,316	492.8
Hibbing village	1,085	2,481	6,566	505.2
McKinley village	136	262	232	70.6
Mesabi Mountain township	708	1,296	940	32.8
Mountain Iron village	443	470	604	36.3
Sparta village	.....	950	960	.....
Stuntz township	68	1,083	1,749	2,472.1
Tower city	1,265	1,366	1,340	5.9
Virginia city	3,647	2,962	6,056	66.1
St. Louis County (excluding Duluth)	19,199	29,963	52,571	173.8

[1] Figures from the Twelfth Census of the United States. [2] Decrease.

Several of these communities show an enormous increase in population from 1895 to 1905, while only two show a decline.

Of the population of St. Louis County, 84 per cent reside in cities or villages, which is very conclusive as to the predominance of the iron-ore industry.

The leading nationalities were Finnish, Austrian, Swedish, Canadian, and Norwegian, in the order named. As shown by the State census of 1905, the nationalities represented and their respective numbers in the chief mining centers were as follows:

Principal foreign-born elements of the population in the chief range communities of Minnesota, 1905.

[Data from the Fifth Decennial Census of Minnesota, 1905, p. 177.]

Localities.	Country of birth.							
	Germany.	Sweden.	Norway.	Denmark.	Canada.	Ireland.	England.	Russia.
Vermilion Range:								
Breitung (including Soudan)	7	130	21	2	7	3	20	.....
Ely city	22	101	29	5	55	9	104	12
Tower city	10	156	67	1	85	9	23	10
Mesabi Range:								
Aurora village	8	26	7	1	16	4	12	3
Biwabik Township	2	37	20	2	18	2	16	.....
Biwabik village	12	57	26	2	38	8	19	6
Buhl village	9	64	23	.....	24	1	6	7
Chisholm village	21	206	93	2	110	19	87	47
Eveleth city	38	325	77	6	151	39	119	65
Fayal Township	14	85	22	1	16	10	20	8
Hibbing village	72	516	314	9	498	.....	78	47
McKinley village	1	15	21	.....	1	2	6	1
Mesabi Mountain Township	7	38	2	.....	20	11	37	5
Mountain Iron village	5	20	17	5	34	13	14	4
Sparta village	5	17	8	.....	42	5	9	24
Stuntz Township	12	65	47	2	148	10	3	10
Virginia city	120	557	296	7	337	53	71	89
St. Louis County outside Duluth	770	4,226	1,898	112	2,433	312	763	400

Principal foreign-born elements of the population in the chief range communities of Minnesota, 1905—Continued.

Localities.	Country of birth.				Total foreign born.	Total native born.	Total population.
	Poland.	Finland.	Austria.	All other.			
Vermilion Range:							
Breitung (including Soudan)		280	180	9	659	685	1,344
Ely city		911	852	122	2,222	1,823	4,045
Tower city		184	29	19	593	747	1,340
Mesabi Range:							
Aurora village	1	62	44	14	198	138	336
Biwabik Township		111	98	14	320	221	541
Biwabik village		287	44	17	516	430	946
Buhl village		200	64	50	448	340	788
Chisholm village	43	1,197	693	187	2,705	1,526	4,231
Eveleth city	1	1,145	676	333	2,975	2,357	5,332
Fayal Township	5	152	430	164	927	389	1,316
Hibbing village	30	1,169	323	481	3,537	3,029	6,556
McKinley village		31	34	4	116	116	232
Mesabi Mountain Township		250	130	31	531	409	940
Mountain Iron village		127	14	37	290	314	604
Sparta village		347	116	11	584	376	960
Stuntz Township	9	220	279	299	1,104	645	1,749
Virginia city	77	1,193	136	123	3,059	2,997	6,056
St. Louis County outside Duluth	296	9,945	4,461	2,313	27,929	24,642	52,571

No statistics as to nationality are regularly kept by the mining companies, but the Oliver Iron Mining Co. has taken a census of its own employees at different times, the results of which are given below:

Length of residence in the United States of foreign-born employees of the Oliver Iron Mining Co., May 1, 1907, by race or people.

[Data supplied by the Oliver Iron Mining Co.]

Race or people.	Number living in the United States—													Total foreign born.
	Under 1 year.	1 year.	2 yrs.	3 yrs.	4 yrs.	5 yrs.	6 yrs.	7 yrs.	8 yrs.	9 yrs.	10 yrs.	Over 10 yrs.	Years not reported.	
Arabian								1						1
Austrian	135	199	155	92	76	56	29	19	16	5	4	27	2	814
Bohemian	3	14	8	3	4	3	3					11		49
Bosnian	24	58	39	11	9	3	1						1	146
Bulgarian	79	57	41	23	2	5		1	1			1		210
Croatian	280	496	419	240	141	103	56	26	29	13	12	59	8	1,881
Czech	2	5	1	1	1							1		11
Dalmatian	43	34	25	4	10	4	1	4	3		1			129
Dutch												2		2
English		9	6	1	4	9	5	2	5		5	114		160
Finnish	263	389	464	244	271	263	134	127	73	35	43	216	3	2,525
Flemish		2										1		3
French	3	4	4	1	2	2	3		2	2	1	44	1	69
French-Canadian	1	2		1		2	2	1	4	1		8		22
German	49	27	30	16	7	4	4	3	3	2	3	42		190
Greek				1	1							1		3
Hebrew		1						1				3		5
Hervat	2	3	4	2	3	2	3	1						20
Hungarian	8	8	12	5	3	3	1		3			5		48
Indian									1					1
Irish		1		1	2	1	2	1	1			71	1	81
Italian	27	39	40	19	37	24	14	12	3	1	3	15	1	235
Italian (north)	23	65	50	23	31	30	19	9	9	5	5	26	3	298
Italian (south)	43	79	101	50	47	54	35	26	12	5	8	35		495
Japanese			2											2
Korean						1								1
Lithuanian	1		1									1		3
Macedonian	1													1
Magyar	19	34	46	21	36	24	10	1	4	4	2	9		210
Montenegrin	35	40	21	5	1									102
Polish	12	33	20	22	16	10	6	9	1		5	15	2	151
Roumanian	1	1	2	1										5
Russian	3	11	8	9	7	4		1	2			5		50

Length of residence in the United States of foreign-born employees of the Oliver Iron Mining Co., May 1, 1907, by race or people—Continued.

Race or people.	Number living in the United States—													
	Under 1 year.	1 year.	2 yrs.	3 yrs.	4 yrs.	5 yrs.	6 yrs.	7 yrs.	8 yrs.	9 yrs.	10 yrs.	Over 10 yrs.	Years not reported.	Total foreign born.
Ruthenian						1	1					1		3
Scandinavian	29	23	44	30	35	28	26	14	23	12	11	241	5	521
Scotch	1	1	1	1	2		2	2	2			41		53
Scotch-Irish												1		1
Servian	16	29	18	15	7	6	2	1				1		95
Slav	26	30	26	23	20	12	12	10	7	4	3	18		191
Slovak	46	47	68	29	33	40	20	18	11	2	6	38	1	359
Slovenian	25	66	85	42	47	44	27	19	12	3	8	34	3	415
Syrian						1								1
Tyrolese	5	10	18	13	18	11	9	1	4	2	1	17		109
Welsh												3		3
Not reported	56	73	84	29	44	27	25	14	5	4	4	98	2	465
Total	1,261	1,879	1,856	976	917	776	452	323	236	100	125	1,205	33	10,139

Of the 12,018 employees of this company in 1907 only 1,879 were native born, those of foreign birth being 84.4 per cent of the total number employed. Almost half of the foreign born, 49.3 per cent, had not resided in the United States over two years. The races showing a large proportion who had resided in this country 10 years and over were: The Irish, with 87.7 per cent; Scotch, 77.4 per cent; English, 74.4 per cent; Scandinavian, 48.4 per cent; and German, 23.7 per cent. Those with a small proportion were: Bulgarians, with less than one-half of 1 per cent; Austrians and Croatians, with only 3.8 per cent; Italians, 8.9 per cent; Finns, 10.3 per cent; and Slavs, 11 per cent. Of all the foreign-born employees but 13.1 per cent had resided in the United States 10 years and over. The principal races with a residence of less than a year were the Montenegrins, with 34.3 per cent; Austrians, 16.6 per cent; Croatians, 14.9 per cent; Slavs, 13.6 per cent; and Slovaks, 12.8 per cent. Of all the foreign-born employees 12.4 per cent had resided in the United States less than one year.

In the following tabulation, which was furnished by the Oliver Iron Mining Co., American includes Canadians, English, Irish, and Scotch; Austrian includes, among others, Bulgarians, Bohemians, Hungarians, and Montenegrins; French and German includes Belgians, Swiss, and Hollanders; Finnish includes Russians; and Scandinavian includes Norwegians, Swedes, and Danes.

Nationality of the employees of the Oliver Iron Mining Co. on the various ranges of the Lake Superior region July 1, 1908, by locality.

[Data supplied by the Oliver Iron Mining Co.]

Locality.	American.		Austrian.		French and German.		Finnish.		Italian.	
	Number.	Per cent.	Number.	Per cent.	Number.	Per cent.	Number.	Per cent.	Number.	Per cent.
Mesabi range:										
Hibbing district	628	21.9	1,326	46.2	140	4.9	212	7.4	378	13.2
Mountain Iron district	217	22.9	446	47.1	16	1.7	100	10.6	79	8.4
Eveleth (Fayal) district	296	27.4	316	29.2	40	3.7	125	11.6	165	15.3
Eveleth (Adams) district	225	18.9	544	45.8	12	1.0	188	15.8	123	10.3
Biwabik district	74	20.9	204	57.5	4	1.1	53	14.9	3	.8
Canisteo district	383	28.2	606	44.6	77	5.7	92	6.8	51	3.7
Total	1,823	23.4	3,442	44.1	289	3.7	770	9.9	799	10.2
Vermilion Range	85	15.3	291	52.2	13	2.3	100	18.0	21	3.8
Marquette Range	680	49.2	20	1.5	10	.7	415	30.0	108	7.8
Menominee Range	195	16.5	120	10.2	141	12.0	81	6.9	201	17.0
Gogebic Range	442	28.3	109	7.0	38	2.4	405	26.0	162	10.4
Grand total	3,225	25.8	3,982	31.9	491	3.9	1,771	14.2	1,291	10.4

Nationality of the employees of the Oliver Iron Mining Co. on the various ranges of the Lake Superior region July 1, 1908, by locality—Continued.

Locality.	Polish.		Scandinavian.		Miscellaneous.		Total.	
	Number.	Per cent.	Number.	Per cent.	Number.	Per cent.	Number.	Per cent.
Mesabi Range:								
Hibbing district	65	2.2	116	4.0	6	0.2	2,871	100.0
Mountain Iron district	.....	.....	88	9.3	.....	.....	946	100.0
Eveleth (Fayal) district	1	.1	135	12.5	2	.2	1,080	100.0
Eveleth (Adams) district	20	1.7	69	5.8	8	.7	1,189	100.0
Biwabik district	2	.6	15	4.2	.....	.....	355	100.0
Canisteo district	5	.4	143	10.5	2	.1	1,359	100.0
Total	93	1.2	566	7.3	18	.2	7,800	100.0
Vermilion Range	.....	.....	47	8.4	.....	.....	557	100.0
Marquette Range	7	.5	142	10.3	.....	.....	1,382	100.0
Menominee Range	79	6.7	362	30.7	.....	.....	1,179	100.0
Gogebic Range	199	12.7	204	13.1	1	.1	1,560	100.0
Grand total	378	3.0	1,321	10.6	19	.2	12,478	100.0

Nationality of the employees of the Oliver Iron Mining Co., on the various ranges of the Lake Superior region June 1, 1909, by locality.

[Data supplied by the Oliver Iron Mining Co.]

Locality.	American.		Austrian.		Finnish.		German.		French.	
	Number.	Per cent.	Number.	Per cent.	Number.	Per cent.	Number.	Per cent.	Number.	Per cent.
Mesabi Range:										
Hibbing district	472	29.5	671	41.9	67	4.2	52	3.3	47	2.9
Chisholm district	149	9.1	1,002	61.5	154	9.5	5	.3	2	.1
Mountain Iron district	178	24.7	236	32.8	170	23.6	.....	.....	12	1.7
Eveleth (Fayal) district	262	20.7	377	29.8	256	20.2	17	1.3	.....	.....
Eveleth (Adams) district	283	21.4	603	45.7	140	10.6	9	.7	4	.3
Biwabik district	53	16.6	193	60.5	45	14.1	4	1.3	.....	.....
Canisteo district	355	22.8	733	47.1	131	8.4	31	2.0	80	5.2
Total	1,752	20.8	3,815	45.4	963	11.5	118	1.4	145	1.7
Vermilion Range	99	12.9	402	52.6	175	22.9	2	.3	4	.5
Marquette Range	739	40.5	40	2.7	372	24.9	13	.9	5	.4
Menominee Range	228	15.8	165	11.5	98	6.8	33	2.3	122	8.5
Gogebic Range	435	22.7	137	7.1	625	32.5	12	.6	37	1.9
Grand total	3,253	23.2	4,559	32.5	2,233	15.9	178	1.3	313	2.2

Locality.	Italian.		Scandinavian.		Polish.		Total.	
	Number.	Per cent.	Number.	Per cent.	Number.	Per cent.	Number.	Per cent.
Mesabi Range:								
Hibbing district	209	13.1	59	3.7	23	1.4	1,600	100.0
Chisholm district	155	9.5	104	6.4	58	3.6	1,629	100.0
Mountain Iron district	36	5.0	88	12.2	.....	.....	720	100.0
Eveleth (Fayal) district	224	17.7	108	8.5	23	1.8	1,267	100.0
Eveleth (Adams) district	177	13.4	84	6.4	20	1.5	1,320	100.0
Biwabik district	3	.9	21	6.6	.....	.....	319	100.0
Canisteo district	33	2.1	179	11.5	14	.9	1,556	100.0
Total	837	10.0	643	7.6	138	1.6	8,411	100.0
Vermilion Range	30	3.9	53	6.9	.....	.....	765	100.0
Marquette Range	178	11.9	145	9.7	.....	.....	1,492	100.0
Menominee Range	284	19.7	407	28.3	102	7.1	1,439	100.0
Gogebic Range	232	12.1	184	9.6	260	13.5	1,922	100.0
Grand total	1,561	11.1	1,432	10.2	500	3.6	14,029	100.0

This company had 12,478 employees on July 1, 1908. The Americans were 25.8 per cent of this number. The Austrians were the most numerous, with 31.9 per cent. On the Vermilion range 52.2 per cent of the employees were Austrians.

On June 1, 1909, this company had 14,029 employees, of whom 23.2 per cent were Americans, 32.5 per cent Austrians, 15.9 per cent Finnish, etc. Those nationalities that showed an increased proportion employed in 1909 compared with 1908 were Austrians, Finnish, Italians, and Polish. Those that decreased were Americans, French, German, and Scandinavians.

Number and per cent of foreign-born employees of the Oliver Iron Mining Co. who speak English, May 1, 1907, by race or people.

[Data supplied by the Oliver Iron Mining Co. Figures do not include 25 persons not reporting as to whether they do or do not speak English.]

Race or people.	Speak English.		Do not speak English.	Total.	Race or people.	Speak English.		Do not speak English.	Total.
	Number.	Per cent.				Number.	Per cent.		
Arabian	1	100.0	.....	1	Japanese	2	100.0	.....	2
Austrian	244	30.0	570	814	Korean	1	100.0	.....	1
Bohemian	25	51.0	24	49	Lithuanian	3	100.0	.....	3
Bosnian	29	19.9	117	146	Macedonian	1	100.0	.....	1
Bulgarian	24	11.4	186	210	Magyar	72	34.3	138	210
Croatian	580	30.8	1,310	1,881	Montenegrin	28	27.5	74	102
Czech	2	18.2	9	11	Polish	70	46.4	81	151
Dalmatian	44	34.1	85	129	Roumanian	2	40.0	3	5
Dutch	2	100.0	.....	2	Russian	22	44.0	28	50
English	160	100.0	.....	160	Ruthenian	3	100.0	.....	3
Finnish	1,372	54.4	1,151	2,523	Scandinavian	451	87.6	64	515
Flemish	1	33.3	2	3	Scotch	53	100.0	.....	53
French	64	92.8	5	69	Scotch-Irish	1	100.0	.....	1
French-Canadian	20	90.9	2	22	Servian	14	14.7	81	95
German	84	44.2	106	190	Slav	71	37.2	120	191
Greek	2	66.7	1	3	Slovak	145	40.4	214	359
Hebrew	4	80.0	1	5	Slovenian	327	79.0	87	414
Hervat	9	45.0	11	20	Syrian	1	100.0	.....	1
Hungarian	23	47.9	25	48	Tyrolese	68	62.4	41	109
Indian	1	100.0	.....	1	Welsh	3	100.0	.....	3
Irish	81	100.0	.....	81	Not reported	240	53.5	209	449
Italian	146	62.1	89	235					
Italian (north)	164	55.0	134	298	Total	4,917	48.6	5,197	10,114
Italian (south)	257	51.9	238	495					

Only 48.6 per cent of the employees considered in this table can speak English. A considerable number of the races reported 100 per cent able to speak English, but the number of persons involved is too small upon which to base a conclusion. Austrians report 30 per cent; Croatians, 30.8 per cent; Magyars, 34.3 per cent; Slavs, 37.2 per cent; and Slovaks, 40.4 per cent speaking English, while the Italians report 55.2 per cent; Finnish, 54.4 per cent; Slovenians, 79 per cent; and Scandinavians, 87.6 per cent who speak English.

Number and per cent of foreign-born employees of the Oliver Iron Mining Co., five years in the United States, who have become naturalized, May 1, 1907, by race or people.

[Data supplied by the Oliver Iron Mining Co. Figures do not include 68 persons not reporting as to naturalization.]

Race or people.	Naturalized.		Not naturalized.	Total.	Race or people.	Naturalized.		Not naturalized.	Total.
	Number.	Per cent.				Number.	Per cent.		
Arabian			1	1	Italian (north)	35	34.3	67	102
Austrian	52	33.5	103	155	Italian (south)	53	30.5	121	174
Bohemian	9	52.9	8	17	Korean			1	1
Bosnian			4	4	Lithuanian			1	1
Bulgarian	2	25.0	6	8	Magyar	7	13.0	47	54
Croatian	73	24.6	224	297	Polish	11	25.0	33	44
Czech	1	100.0		1	Russian	5	41.7	7	12
Dalmatian	2	15.4	11	13	Ruthenian	1	33.3	2	3
Dutch	2	100.0		2	Scandinavian	242	69.5	106	348
English	114	83.2	23	137	Scotch	33	82.5	7	40
Finnish	310	34.9	578	888	Scotch-Irish	1	100.0		1
Flemish			1	1	Servian	1	11.1	8	9
French	40	81.6	9	49	Slav	21	31.8	45	66
French-Canadian	9	50.0	9	18	Slovak	42	31.1	93	135
German	41	68.3	19	60	Slovenian	34	28.6	85	119
Greek	1	100.0		1	Syrian			1	1
Hebrew	3	100.0		3	Tyrolese	27	60.0	18	45
Hervat			6	6	Welsh	3	100.0		3
Hungarian	6	50.0	6	12	Not reported	83	48.5	88	171
Indian			1	1					
Irish	65	87.8	9	74	Total	1,351	42.9	1,798	3,149
Italian	22	30.6	50	72					

There have been naturalized 42.9 per cent of those who have been in the United States five years. About one-third of the Austrians, Finns, Italians, Slavs, and Slovaks have availed themselves of citizenship through the naturalization laws. Over 80 per cent of the English, Irish, and Scotch and 69.5 per cent of the Scandinavians are naturalized.

Number and per cent of foreign-born employees of the Oliver Iron Mining Co., 21 years of age and over, reporting conjugal condition, May 1, 1907, by race or people.

[Data supplied by the Oliver Iron Mining Co.]

Race or people.	Married.		Single.	Total.	Race or people.	Married.		Single.	Total.
	Number.	Per cent.				Number.	Per cent.		
Arabian			1	1	Japanese			1	1
Austrian	343	52.3	313	656	Korean	1	100.0		1
Bohemian	21	52.5	19	40	Lithuanian	1	33.3	2	3
Bosnian	78	68.4	36	114	Macedonian	1	100.0		1
Bulgarian	118	64.8	64	182	Magyar	100	54.9	82	182
Croatian	903	58.4	642	1,545	Montenegrin	26	34.7	49	75
Czech	4	40.0	6	10	Polish	65	47.4	72	137
Dalmatian	73	74.5	25	98	Roumanian	4	80.0	1	5
Dutch	1	50.0	1	2	Russian	23	53.5	20	43
English	89	58.2	64	153	Ruthenian	2	100.0		2
Finnish	902	39.3	1,392	2,294	Scandinavian	225	47.5	249	474
Flemish	1	33.3	2	3	Scotch	28	54.9	23	51
French	41	63.1	24	65	Scotch-Irish	1	100.0		1
French-Canadian	21	95.5	1	22	Servian	31	46.3	36	67
German	100	58.8	70	170	Slav	95	57.2	71	166
Greek	2	66.7	1	3	Slovak	167	54.6	139	306
Hebrew	1	33.3	2	3	Slovenian	202	56.6	155	357
Hervat	10	52.6	9	19	Syrian			1	1
Hungarian	27	62.8	16	43	Tyrolese	43	41.7	60	103
Indian			1	1	Welsh	1	33.3	2	3
Irish	36	45.0	44	80	Not reported	235	58.8	165	400
Italian	106	50.7	103	209					
Italian, north	147	56.5	113	260	Total	4,538	51.6	4,258	8,796
Italian, south	263	59.2	181	444					

More than one-half of those 21 years of age and over were married. Those races represented by any considerable number having under 50 per cent married were the Finnish, Irish, Montenegrins, Polish, Scandinavians, and Tyrolese. Some of those with over 50 per cent married were the Austrians, Croatians, Germans, Italians, Slovaks, and Slovenians.

Length of residence in United States of foreign-born employees of the Oliver Iron Mining Co. May 1, 1907, by occupations.

[Data supplied by the Oliver Iron Mining Co.]

Occupation.	Native born.	Foreign born living in United States— Under 1 year.	1 year.	2 yrs.	3 yrs.	4 yrs.	5 to 9 yrs.	10 to 14 yrs.	15 to 19 yrs.	20 to 24 yrs.	25 yrs. and over.	Years not reported.	Total foreign born	Grand total.
Apprentice	4													4
Axman	6													6
Barn boss	3								1	1	1		3	6
Barn boss, assistant	1													1
Barn man	1		1					1	1				3	4
Blacksmith	9	2	9	12	5	6	23	7	12	3	6		85	94
Blacksmith's helper	6	3	4	3	2	5	9	1	1	3	2	1	34	40
Blaster		1	2	4	2	4	11	1	4		2	1	32	32
Boiler maker	2		1			1							2	4
Bolt cutter							1						1	1
Bookkeeper	3													3
Boss	1						1	1	1	2	1		6	7
Brakeman	217	8	22	28	6	9	19	3	8	7	6	1	117	334
Call boy	1													1
Car checker	3													3
Carpenter	22		7	13	4	11	31	9	19	11	11		116	138
Carpenter's helper	1						1	1					2	3
Car repairer	9	1	3	3	1	6	10	2	9	2	1	2	40	49
Car trimmer		2	4	1			2						9	9
Cashier's assistant											1		1	1
Chain gang	4		1								1		2	6
Chain man	11													11
Chemist	10										1		1	11
Chemist's assistant	23													23
Chip taker	3		2	1			1						4	7
Churn drill helper				1							1		2	2
Chute man			2	1		3	2	1					9	9
Clerk	77		1	1		1	2	1	3	1	2		12	89
Coal heaver			1										1	1
Coal passer	1			1			2						3	4
Coal wheeler				1	1	1	2	1					6	6
Compressor man	2							1					1	3
Crane man	73		2	1	2	1	1	1	4	1	2		15	88
Crane man, steam shovel	29			1			10	3	5	4	5		28	57
Crusher man								1					1	1
Diamond driller	3			1			4		2	1			8	11
Diamond driller's helper			1	1		1	1	3	1				8	8
Diamond setter	1													1
Ditch man		2	1	2		2	2	3					12	12
Draftsman	3	1								1			2	5
Drifter							1						1	1
Drill boss							1						1	1
Driller	1	28	38	44	21	19	39	3	3		1	1	197	198
Driller and blaster		22	18	13	8	6	29	3		1			100	100
Driller's helper		2											2	2
Driver	1													1
Dry house man							1						1	1
Dry man	3					1	5	5	1	1	2		15	18
Dry tender							1			1	1		3	3
Dump boss	4		1	2	3	1	5	1	2	1	1		17	21
Dump man		59	76	53	33	16	22		3			1	263	263
Dynamo tender	2													2
Electrician	7			2		1	2		2	1	1		9	16
Electrician's helper				1									1	1
Engineer	51			3	2	3	10	4	6	7	4		39	90
Engineer, hoisting	3						2		2		3		7	10
Engineer, locomotive	169					1	3	7	7	7	13	1	39	208
Engineer, stationary	5							2	2	2	3		9	14
Engineer, steam pump							1						1	1
Engineer, steam shovel	93		1	1			7	6	7	6	9		37	130
Engineer, wrecker	4													4

Length of residence in United States of foreign-born employees of the Oliver Iron Mining Co. May 1, 1907, by occupations—Continued.

Occupation.	Foreign born living in United States—													Grand total.
	Native born.	Under 1 year.	1 year.	2 yrs.	3 yrs.	4 yrs.	5 to 9 yrs.	10 to 14 yrs.	15 to 19 yrs.	20 to 24 yrs.	25 yrs. and over.	Years not reported.	Total foreign born.	
Engineering department	2													2
Fireman	98	2	4	8	7	8	25	11	12	6	7	1	91	189
Fireman, churn drill					1								1	1
Fireman, diamond drill				1	1		1		1				4	4
Fireman, locomotive	128		1	1	2	3	10	6	11	7	1		42	170
Fireman, stationary	1	1	1			2		2	1		1		8	9
Fireman, steam shovel	67	1	3	3	4	9	16	4	10	4	4		58	125
Fireman, wrecker	1													1
Foreman	18	1	1		2	4	9	6	8	6	3		40	58
Foreman, assistant											1		1	1
Foreman, blacksmith									1				1	1
Foreman, blasting	1								1				1	2
Foreman, carpenter	1								1		1		2	3
Foreman, car repairers	2													2
Foreman, drill									1	1			2	2
Foreman, drilling and blasting										1			1	1
Foreman, dump	2			2			2		2		1		7	9
Foreman, miner							1	1	1	1	1		5	5
Foreman, night	3													3
Foreman, ore	1													1
Foreman, pipeman	3										1		1	4
Foreman, pit											1		1	1
Foreman, pit assistant	2													2
Foreman, powder							1						1	1
Foreman, shop	1													1
Foreman, steam shovel	1													1
Foreman, stripping											1		1	1
Foreman, surface	2								1	3	4	1	9	11
Foreman, surface asst											1		1	1
Foreman, timber	1							1	1				2	3
Foreman, track	3						3	4	1	1	2		11	14
Foreman, underground										1			1	1
Gang boss									1		1		2	2
Greaser						1		1					2	2
Grinder	1													1
Hammerman	1						1						1	2
Head mine captain										1			1	1
Janitor	1		1			1	2		1	2	2		9	10
Janitress				1									1	1
Laborer	200	762	970	885	453	369	611	95	101	51	52	10	4,359	4,559
Lander	1	3	3	9	6	2	13	4	4	1	3		48	49
Lightman									1				1	1
Logging cutter							1						1	1
Lumber scaler	1													1
Machine-shop employee								1					1	1
Machinist	59	1	2			4	4	4	2	3	8		28	87
Machinist's apprentice	8		1					1	1				3	11
Machinist's helper	11		1	1	1		1	1					5	16
Mason	1	2		1	1	3	8	2	1		5		23	24
Mason's helper		1	1			1	1						4	4
Master mechanic	3						1				2		3	6
Master mechanic's assistant									1				1	1
Mechanic						1	2	1		2	1		7	7
Mechanical engineer	1													1
Messenger							1						1	1
Miller				3	1		1						5	5
Miner	10	99	264	358	224	237	594	102	74	27	16	5	2,000	2,010
Miner chute man		1											1	1
Miner's helper						1	2						3	3
Miner, tram boss						1							1	1
Mining captain	8								2	4	5		11	19
Mining captain's assistant	1									1			1	2
Mining engineer	12					1	1						2	14
Mining shift boss									2				2	2
Molder	1									1	1		2	3
Motorman		1	4	10	1	3	4	3					26	26
Mucker		1	2	3		1							7	7

Length of residence in United States of foreign-born employees of the Oliver Iron Mining Co. May 1, 1907, by occupations—Continued.

Occupation.	Foreign born living in United States—													Grand total.
	Native born.	Under 1 year.	1 year.	2 yrs.	3 yrs.	4 yrs.	5 to 9 yrs.	10 to 14 yrs.	15 to 19 yrs.	20 to 24 yrs.	25 yrs. and over.	Years not reported.	Total foreign born.	
Mule driver			2	8	5	6	10	1					32	32
Office boy							1						1	1
Office man											1		1	1
Oiler	2	1	2	2	1	1	2	2		1	1		13	15
Operator	2													2
Ore inspector										1			1	1
Ore man											1		1	1
Ore yardmaster	1													1
Painter	3				1								1	4
Pattern maker									1				1	1
Pattern maker and molder	1													1
Pilot	3													3
Pipe boss	1													1
Pipe gang	2													2
Pipe man	58	2	1	5	3	4	11	6	6	5	2		45	103
Pipe man's helper					1								1	1
Pit boss	1			3	1				1				5	6
Pit boss, steam shovel				1									1	1
Pitman	4	48	65	74	28	30	37	4	3				289	293
Pitman, steam shovel	1	12	32	40	14	13	12	1	1				125	126
Pitman, surface			1										1	1
Pocket man	1	1		3	3	1	9	5	1			1	24	25
Powder man	1	1				1	3	1	1		4		11	12
Powder man's helper	1													1
Puffer man							2	1					3	3
Puffer man, underground			1										1	1
Pump man	30	1		1		7	14	2	6	2	9	1	43	73
Pump man's helper					1					1			2	2
Repairer, steam shovel	1													1
River driver	3													3
Rock picker								1					1	1
Rodman	6													6
Rope man	1													1
Sampler	9		4	3			2	2	1				12	21
Scraper, gang		1		2									3	3
Shift boss	3					1	10	5	13	9	5	1	44	47
Shoveler			7	3		3	5		1	2			21	21
Skip tender	1	1	2	6	3	1	8	2		2			25	26
Slide man					1		2		1				4	4
Stableman							2			1			3	3
Station man		1					2		2	1	1		7	7
Steam-pump man											1		1	1
Stenographer	6							1					1	7
Stone mason							1						1	1
Superintendent, assistant										1			1	1
Surface boss	5					1			2	1	2		6	11
Surveyor	1													1
Swamper	1			1	2	1	2	1	2				9	10
Switchman	75	2	4	8	1	2	6	2	2	4	5		36	111
Tally boy	4	2		2			1	1					6	10
Teamster	41	1	4	6	4	5	14	7	7	4	5	1	58	99
Teamster's helper	1	2	2	1		1					1		7	8
Telephone man	1													1
Test pitter										1	1		2	2
Tie maker							1						1	1
Timber boss						1	2						3	3
Timber captain									1				1	1
Timber framer		2	4	1		2	5	1	5	3			23	23
Timber lander		1	2	3	3	5	7		1	1			23	23
Timberman	1	5	11	19	12	12	35	7	12		2		115	116
Timber repairer							3			1			4	4
Timber-shaft sinker						1	1	1					3	3
Timekeeper	18						1		1				2	20
Tool carrier	1										1		1	2
Town-site superintendent	1													1
Track boss	9			2	3	4	6	2	3	3	1		24	33
Trackman	9	83	142	98	59	44	54	7		3	1	2	493	502

Length of residence in United States of foreign-born employees of the Oliver Iron Mining Co. May 1, 1907, by occupations—Continued.

Occupation.	Foreign born living in United States—													Grand total.
	Native born.	Under 1 year.	1 year.	2 yrs.	3 yrs.	4 yrs.	5 to 9 yrs.	10 to 14 yrs.	15 to 19 yrs.	20 to 24 yrs.	25 yrs. and over.	Years not reported.	Total foreign born.	
Trackman's helper				1									1	1
Trackwalker										1			1	1
Trammer	4	73	116	70	29	15	25	5	3			1	337	341
Trammer boss			1	1			5	1					8	8
Warehouseman	3		1					1	1		1		4	7
Washing-plant employee				2				1					13	3
Watchman	5		1				1	2	4	1	8		7	22
Water boy	5	3	2	1			1						7	12
Weigher	1													1
Wiper			1										1	1
Woodchopper	2			2	1				2				5	7
Wood lander	1													1
Yardmaster	10							1					41	11
Not reported	8	11	14	6	6	4	4	2	1			1	9	57
Total	1,879	1,261	1,879	1,856	976	917	1,887	399	434	237	260	33	10,139	12,018

This table shows that in this company blacksmiths, carpenters, drillers, dump men, laborers, miners, pitmen, timbermen, trackmen, and trammers are occupations almost wholly filled by those of foreign birth. Those mainly filled by native-born employees were brakemen, crane men, locomotive firemen, machinists, and switchmen.

Th occupations in which native and foreign born are quite evenly divided are electricians, firemen, steam-shovel firemen, mining captains, pipe men, pump men, and teamsters. Such occupations as chemists, clerks, mining engineers, timekeepers, and yardmasters are almost wholly filled by native-born employees.

If nationality statistics could be had for the whole period of operation at the Minnesota ore mines they would show the same process of supplanting the older mine workers by more recent immigrants, which has taken place in many of the coal-mining districts. In fact, the process has here been singularly swift and complete; and this is due to two causes—the rapid development of the industry and the peculiarities of the mining operations, which make it possible to use a very unusual proportion of unskilled labor. Very soon the English and Scotch miners who went largely from the older Michigan ranges to the Vermilion were brought to the Mesabi to serve as foremen, shift bosses, and mining captains. The order of the coming of the races seems to have been: Scandinavian, Finn, Austrian, and Italian; and within the past few years the great preponderance of new arrivals has been from southeastern Europe—Servia, Montenegro, Bulgaria, Croatia, and neighboring States.

THE FINNS.

The Finns have played an important part in the development of the mines of the Lake Superior region, and they are certain to remain an important factor in the population of northern Minnesota. An agricultural people at home, they have been attracted to mining in large numbers in the northern iron and copper regions. Of the 19.847 foreign-born Finns shown by the State census of 1905 to be in Minnesota, 12,076 were in St. Louis County. The remainder are distributed mainly in the agricultural districts, and even in St. Louis County there is a strong drift of this people to the land.

They are industrious, sturdy, and intelligent workers, ambitious to learn and to rise. Next to the Welsh and Cornish men whose positions they fell heir to, they are regarded as the most efficient miners on the ranges. Their standard of living is higher than that of the other foreign elements represented. They are more given to owning the houses they live in and are not found in the shacks and camps with which others are content. The young men usually live in commodious, well-kept boarding houses. Cleanliness seems to be a racial

characteristic. Frederiksen,[1] writing of the home life of his people, says that "every Finnish family has its sauna, or bathhouse. It is the first place built, and the family live in it until the rest of the house is ready." Not every family on the range can boast its private bathhouse, but every village has one or more public bathhouses at which hot vapor baths may be had. These houses are patronized also by others than the Finns.

The Finns are reported to have qualities of initiative, independence, self-reliance, and a jealous regard for their rights. They are not quarrelsome, but are often described by employers as "stubborn," "not easily managed," "not amenable to discipline," etc. The general impression is that they, next to the Scandinavians, are the most prompt to become naturalized of any of the "foreigners." This is not borne out by the figures from the Oliver Iron Mining Co.

THE AUSTRIANS.

Numerically the most important body of laborers on the ranges is that roughly designated as the "Austrians." Not only is the name applied promiscuously to all who hail from the dual Empire, of whatever race, but the confusion is increased by the inclusion of the Bulgarians, who are often spoken of as "Black Austrians." The Servians and Montenegrins are also included frequently in the same category. In 1908, of the employees of the Oliver Iron Mining Co., 44.1 per cent on the Mesabi and 52.2 per cent on the Vermilion were thus classed as Austrians. By the census of that company's employees, May 1, 1907, nearly 4,800, out of a total of 10,139 foreign-born employed by it in the Lake Superior region, were of the races migrating from Austria-Hungary. Of these, however, only 814 were Austrians proper. By far the largest racial factor in the group was the Croatians, numbering 1,881. The Slovenians came next with 415 and the Slovaks followed with 359.

The Austrians, using that term to include the races coming from Austria-Hungary, are regarded by the mining companies as the most desirable workers next to the Scandinavians and Finns. The promise given by their large frames and muscular build of being efficient workers is not, however, wholly borne out. According to the testimony of the mining companies, while very docile, they lack the initiative of the Scandinavians and the Finns, and thus require a great deal of supervision. Even in physical endurance they have not in the mining region proved the equal of those races. This is often explained by their different standard of living. They live in large numbers in camps near their work, and their fare consists largely of rye bread and the cheapest cuts of beef boiled with vegetables. The returns as to conjugal condition of this class show that 56.6 per cent of them over 21 years of age, working for the Oliver Iron Mining Co., are married, as compared with 39.3 per cent of the Finns and 56.5 per cent of the Italians. This is contrary to the prevailing impression that a large proportion of the Austrians are single men, while the Finns are more largely men with families. The discrepancy between the statistics and the prevalent belief may be explained by the fact that many of the Austrians reporting as married have their families in the old country and live here under the conditions of single men. One also often hears it said on the range that the Austrians do not seize the opportunity to become citizens so promptly as the Finns. The data on this point, supplied by the returns of the Oliver Iron Mining Co., while bearing out this view, do not show so marked a difference in the two nationalities in this respect as is generally supposed. Of the employees from Austria-Hungary who had been in the United States five years and reported on the mater, about 29 per cent are reported as naturalized; of the 888 Finns reporting on this point, 34.9 per cent were naturalized; and 31.6 per cent of the Italians so reported. One close observer on the western Mesabi has found it characteristic of the Austrians that they generally come here with the intention of returning home to live when their fortune is made; but that in very many cases they become dissatisfied on their return to the old country and come back to America to stay—usually with a wife.

MONTENEGRINS AND SERVIANS.

The Montenegrins and the Servians are grouped together industrially. They are the most recent arrivals on the Mesabi and are generally regarded as the least efficient element of the mining population. There is no way of showing

[1] Finland, Its Public and Private Economy, p. 23.

accurately what their movement to the Minnesota ranges has been. They are not differentiated in the State census of 1905, and it is not likely any had yet come to the ranges in 1900. The Oliver Iron Mining Co. had 102 Montenegrins and 95 Servians in its employ according to its census of May 1, 1907. During the summer of 1907 the number employed on the ranges was largely increased, large numbers coming in to break the strike of that year. The same is true of the Bulgarians. These races live cheaply, and while they are large-framed, robust-looking men they are far from efficient workers. They require much supervision and do only the rudest work. They live cheaply in shacks or camps, rarely having families with them. They learn the English language slowly.

The CHAIRMAN. Mr. Fitch, I started to take up another phase of this situation as to the labor conditions in Birmingham. They employ there both free labor and convict labor?

Mr. FITCH. In the mines; yes.

The CHAIRMAN. Was free labor and convict labor employed there at the time you visited that section?

Mr. FITCH. Yes.

Mr. REED. If you will pardon my interruption, Mr. Chairman, I made a statement in reply to your question the other day that the Tennessee Coal & Iron Co. employed no convict labor. That statement was based on the fact that I had understood the contract with the State of Alabama had expired and was not renewed. I am speaking of contract by which convict labor was furnished by the State. That is correct; but I am told that there are still about 300 men supplied to the Tennessee Coal & Iron Co. by the county authorities and those men are still working for that company. That contract when it expires, however, will not be renewed.

Mr. YOUNG. The State convicts have ceased?

Mr. REED. They no longer work for the Tennessee Coal & Iron Co.

Mr. BARTLETT. Has Alabama recently changed its convict law?

Mr. REED. No, sir; I believe these convicts are turned over by the State to other manufacturing companies.

Mr. YOUNG. Do you know whether any of them are working for the Woodward Iron Co.?

Mr. REED. No, sir; I believe not.

The CHAIRMAN. They are not.

Mr. YOUNG. They give such marvelously low cost, I do not know how they get it.

The CHAIRMAN. The Woodward Iron Co. deserve greatest credit. It is situated there in this nest of convict labor; has its own mines and does not work a single convict in them; has its own railroad and does not work a single convict on it; owns blast furnaces and not a convict in sight. The Woodward iron people have fought this fee system and its iniquities tooth and nail, and are still fighting it.

Mr. BARTLETT. The fee system—what do you mean?

The CHAIRMAN. I have a statement here that that county makes over $50,000 out of this purloining, or at least this facile and tireless capture of petty offenders, and then by a system of taxing costs and operating bonds they are turned over to these companies to work. I will let the gentleman on the witness stand explain that, however, rather than myself.

Mr. YOUNG. Does the State of Alabama permit that?

The CHAIRMAN. I am not protecting the State of Alabama.

Mr. YOUNG. No; but does the State of Alabama permit that?

The CHAIRMAN. Yes, sir; to its eternal shame it permits it. I do not care whether it is Alabama, Maine, or Michigan; if I find oppression and wrong anywhere I will expose it. Crime and oppression have neither color nor locality, so far as I am concerned.

Mr. BARTLETT. I do not know what the Alabama law is, Mr. Chairman; we will find out about it.

The CHAIRMAN. Referring to these county people, I will ask you to state to the committee, Mr. Fitch, who they are and what they are; what brings them into the clutches of the law, and how they are dealt with after they get into the hands of the law?

Mr. FITCH. I have no direct information as to that, Mr. Chairman. I did not investigate those conditions at all in the Birmingham district. From general report and from reading the article which you mentioned there——

Mr. BARTLETT (interposing). Whose article is that?

Mr. FITCH. An article by Mr. Shelby M. Harrison, in the Survey Magazine.

The CHAIRMAN. You visited these camps?

Mr. FITCH. No; not the convict camps.

The CHAIRMAN. Were you ever in their quarters?

Mr. FITCH. No. I have visited the free camps only.

The CHAIRMAN. What conditions prevailed there? Explain those to the committee, tell us the experience and incidents that occurred, and their character of living, etc.

Mr. FITCH. The mining camps in the Birmingham district are rather attractive as compared with the mining camps of western Pennsylvania. The country is rather picturesque. The houses are built in a region that was formerly wooded, cut-over timber land, and many trees are still standing. The houses are desperately cheap in construction, and are poor places in which to live; usually two rooms to an apartment, whether colored or white, employees are supposed to live in them. The apartments usually contain two rooms, whether for white or colored employees, in the mining camps in the Birmingham district.

Mr. BARTLETT. Log houses?

Mr. FITCH. I believe there are some log houses, but for the most part they are boards.

Mr. BARTLETT. Made with a room on each side and a passage between, or something of that sort?

Mr. FITCH. Usually a double house; two doors at the front, a little porch, and each door opening directly into one room and another room back of that, and in those two rooms the family lives.

Mr. YOUNG. Only a one-story building?

Mr. FITCH. Yes.

Mr. BARTLETT. Is there a chimney to each room, or between the two?

Mr. FITCH. My impression is there is a chimney between the two, though I have observed these houses only from the outside. I have never been in them.

Mr. BARTLETT. The two rooms are not built with a passageway between the two?

Mr. FITCH. No.

Mr. BARTLETT. They are joined together with a chimney in the center and a porch in front?

Mr. FITCH. I think that is correct.

Mr. BARTLETT. With a door into each room, opening onto the porch?

Mr. FITCH. Yes. There are usually two villages in each of these camps; at any rate, a line of demarcation on one side of which live the colored employees and on the other side of which live the white employees.

Mr. BARTLETT. May I ask right there if those two rooms are generally occupied by one family, or two rooms furnished to one family?

Mr. FITCH. Yes. The houses are very much the same on either side of this line.

I am describing now the typical mining camp. There is a movement toward a better camp, with respect to houses, in the district.

The CHAIRMAN. I am not quite sure about this—it may have been Mr. Harrison or some other gentleman who investigated this question, but I have the impression that you have this information. Do you know why convict labor has been utilized and what the employers consider its peculiar advantage?

Mr. FITCH. One peculiar advantage that the employers admit exists is that it gives them a club over organized labor. Whenever there is a strike, the convict mines go on turning out coal regularly. While the proportion of convict labor to free labor is rather small—I do not know what it is, but it is small—quite a large amount of coal is turned out which can be used in the operation of the mills and furnaces in the district.

I want to say further in regard to these camps that a peculiar situation exists there. The land is owned by the mining company; the houses are owned by the mining company. The villages are not incorporated. The whole thing is private property. There is nothing unusual about that, so far as Alabama is concerned. The same situation exists in practically all the mining districts of the country. There is no municipal government. The law is represented by a deputy sheriff in each camp.

The CHAIRMAN. Who employs him?

Mr. FITCH. My understanding is that the deputy sheriff, of course, is deputized by the sheriff of the county and represents the law, but is paid by the company. As the result of that, he considers himself an employee of the company, rather than a representative of the public, and does generally what the company tells him to do.

Mr. BARTLETT. Just like a policeman on the crossings here in the District of Columbia, who is designated by the District of Columbia, and whose wages are paid by the street railroad companies?

Mr. FITCH. I am not familiar with that situation; but that is the fact.

The effect of that is that the deputy sheriff is a guard rather than a peace officer. He watches the roads coming into the camps, observing the people who come in, and if they are strangers to him he inquires their business. He carries a gun with him, and if a stranger is unable to explain himself satisfactorily to the deputy sheriff he is asked to move out.

The CHAIRMAN. Do you know that to be true?

Mr. FITCH. I know it from personal experience, because I was asked to move out. I went into a mining camp—in fact, I went into several with a kodak in my hand, taking pictures of the houses and walking through the streets, holding conversations here and there, wherever I met a miner or a member of a miner's family, and I was met in one camp by a deputy sheriff, who asked me my business. I told him what it was, and gave him my card and explained what I was doing.

Mr. YOUNG. Just state right there what you told him you were doing.

Mr. FITCH. I said to him that I represented a magazine and I expected to write of conditions I found in the district, and I was walking through there to satisfy myself as to the actual physical conditions that prevailed, and that I talked with people there for the purpose of finding out how much rent they paid, what was the source of the water supply, the condition of the water, and so on. He said that might be all true, but nevertheless I would have to get out of the camp, because he did not know me. He said that he was there to keep out of the camp people he did not know, and that he had recently gotten into trouble with his boss because he had been letting people whom he did not know come into the camp. I asked him why he was suspicious of people he did not know. He said that he was——

The CHAIRMAN (interposing). Is that a town you were in? Were you on the public street?

Mr. FITCH. Not a public street, but an open street.

The CHAIRMAN. An open road?

Mr. FITCH. Yes. In this town probably 600 people lived.

Mr. YOUNG. All on private property?

Mr. FITCH. Yes.

Mr. YOUNG. Roads and all?

Mr. FITCH. Yes.

Mr. BARTLETT. No incorporation and no municipality?

Mr. FITCH. No. He said he was looking for labor organizers and employers of labor, who might be trying to take their miners away and out of the district.

In this connection, there is a law in Alabama which prohibits the contracting of labor to take out of the State, so that labor agents are sometimes arrested and confined in Alabama on account of attempting to do that.

Mr. BARTLETT. We have the same law in Georgia, which has been upheld by the Supreme Court of the United States.

Mr. FITCH. Yes; a number of States have that law. At the time I went into this camp, the mines had just been shut down—many of the mines in the district. Most of them were operating with fewer miners than usual, and many miners were out of work. The effect of the whole situation was then that if I had been an employer of labor the guard was there to keep the men who were out of work away from a job.

Mr. YOUNG. This is the converse of the contract-labor law?

Mr. FITCH. Yes.

Mr. YOUNG. They try to prevent men who are citizens getting employment somewhere else?

Mr. FITCH. Yes. If conditions there had been bad——

The CHAIRMAN (interposing). Did you go to any other town?

Mr. FITCH. I had a somewhat similar experience in another town, though the deputy finally agreed that I could stay if I did not commit any flagrant breaches of the peace, and he followed me about to see that I did not.

I want to point out another thing in that connection. If conditions in these towns had been bad, if wages had been low and hours long, and a representative of organized labor had come in to explain to the men how the miners in Illinois and certain districts in Pennsylvania got an eight-hour day by organizing and standing together and asking for it, and got their wages raised by organizing and standing together and asking for it, that man would have been thrown out, too. This representative of the law was there to keep the miner from knowing, if he could prevent it, of ways to better his condition.

Mr. REED. You are not speaking now particularly of the towns operated by the Tennessee Coal & Iron Co., are you, Mr. Fitch?

Mr. FITCH. The incidents that I am relating did not occur in a Tennessee camp. I was told by the deputy, however, particularly—I was warned by him—to be careful about certain Tennessee camps, because he said the deputies in those camps would not bother with me as long as he had done.

I also submitted a statement similar to that to officials of the Tennessee Coal & Iron Co. and was not corrected in regard to it.

The CHAIRMAN. How was that?

Mr. FITCH. I submitted a statement in an article I wrote, somewhat similar to that, to the officials of the Tennessee Coal & Iron Co. and was not asked to change it.

The CHAIRMAN. Do you know whether they rent these properties in such a way that there is any understanding as to a man's rights to have visitors come and see him or a right to have persons from abroad come on his premises without any supervision by anybody else?

Mr. FITCH. I was told that in certain cases there are leases signed by the miner who occupies the house—that is, there are clauses in those leases in certain cases giving the company the right to decide, upon notice, and in some cases without notice, who may come in and who may go out of the town. In other words, there is a censorship that is provided for upon guests that a man may receive.

Mr. YOUNG. Did you see any of those leases?

Mr. FITCH. I did not.

The CHAIRMAN. Does that condition prevail in the buildings of the Steel Corporation?

Mr. FITCH. I was told that that condition did prevail there.

The CHAIRMAN. How many hours a day do those miners work?

Mr. FITCH. Ten hours, upon the average.

Mr. REED. Mr. Fitch, how do the housing conditions of the Tennessee employees compare with those of other companies?

Mr. FITCH. I had intended to speak of that, and was drawn into something else.

The Tennessee Coal & Iron Co., in this movement toward bettering the housing conditions in the district, is leading all the other companies, and has several new camps which are better than any other camps which I saw there. There is a movement in the district

to improve these conditions. Many of the leading coal companies are participating in that movement—the Woodward Iron Co., the Republic Iron & Steel Co., and the Pratt Consolidated Co. occur to me especially as examples of companies that are moving toward a better condition in their mining camps.

The Alabama Coal Operators' Association, which is practically a Birmingham association, recently has employed a sanitary engineer to make an examination of their camps and make recommendations as to improvements in them.

I would like to say also that the Alabama Coal Operators' Association have fought strenuously the fee system which you have mentioned, Mr. Chairman, and that they have gone to the legislature at Montgomery and urged the passage of a bill that would abolish it.

Mr. BARTLETT. That is a pretty general movement wherever the fee system prevails, I think, Mr. Fitch, down in that country. I know the legislature of my State have had up a movement for putting officers in criminal cases on a different basis than the fee basis.

The CHAIRMAN. It is an abominable practice.

Mr. BARTLETT. You did not get an opportunity to examine into the conditions of the mining camps, did you, Mr. Fitch?

Mr. FITCH. I went into a number of camps.

Mr. BARTLETT. I meant at the places where you met this officer? Did you leave or did you remain?

Mr. FITCH. I left.

Mr. BARTLETT. You did not make an investigation there?

Mr. FITCH. No.

Mr. BARTLETT. Do you suppose you could have got permission if you had applied?

Mr. FITCH. Yes; I am sure I could have gotten permission.

Mr. BARTLETT. You made no effort to do that?

Mr. FITCH. I made no effort, because I resented the requirement of a pass to practically a municipality, and more than that, I secured an admission from the president of one of the leading coal companies of Birmingham that he knew it to be illegal to keep people from walking upon those streets, and that his company had recently paid $500 damages to a man who had been arrested for trespass upon the street of his town.

I went into a number of camps regardless of deputy sheriffs. I do not know whether they were napping, but I seemed to avoid them. In other cases I went into the camps with officials of the company, so the question of a pass did not arise. But I should have resented the use of a pass, and if one had been offered to me I think I should have refused to present it to any official.

Mr. REED. You never were molested in any camp of the Tennessee Co. in any way, were you?

Mr. FITCH. I have not been in any Tennessee camp except as a guest of the Tennessee Co.

Mr. BARTLETT. Was this place where you were denied the right to remain and make your investigation a place where they employed white or colored labor?

Mr. FITCH. Both.

Mr. BARTLETT. The fee system you speak of is where the prosecuting officers, the sheriffs and others, who are officers of the court before which parties charged with criminal offenses are tried, are permitted or required to obtain the costs of the prosecution, when the defendant is convicted, from the fine imposed on the convicted party. That is the system, is it not?

Mr. FITCH. I am not familiar with that side of the matter at all. As I say, I did not investigate it. I believe Mr. Harrison is to come before the committee, and he knows about that.

Mr. BARTLETT. The only connection that the convict at the mining camp would have with it would be this—I do not know what the Alabama law is—that they are permitted to hire the convict out to mine owners at a certain price, and that money is appropriated to the payment of these costs and fines. I suppose that is the usual way. I do not know whether that is the Alabama law or not.

Mr. FITCH. That, I suppose, is the case. Of course, there are a great many offenders who are in for a considerable term, who are serving out not their costs, but a term of imprisonment. The State of Alabama is making money off those.

Mr. BARTLETT. That is a law which they have abolished and which Georgia did abolish?

Mr. FITCH. Yes.

Mr. YOUNG. Let us go back to Pittsburgh a moment. I understand you to say that many of these immigrants came over with the idea of making a stake and going home. Is that correct?

Mr. FITCH. Yes.

Mr. YOUNG. Do you know whether they do that to a considerable extent or not?

Mr. FITCH. I think the immigration records show that they do.

Mr. YOUNG. Then do a portion of them remain here and gradually improve their condition and get into better-paying occupations and send and bring their families here?

Mr. FITCH. I think so.

Mr. YOUNG. So a good many of them become permanent residents and live with their families?

Mr. FITCH. Yes; eventually.

Mr. YOUNG. This has been common in the whole history of immigration to this country, even from the northern races, has it not—that a man would come over here, earn a little money, and later send back for his family?

Mr. FITCH. I think the immigration records show that the older immigration came very largely as families, and the newer immigration is coming very largely as single men. There is a very great distinction in that respect. Of course, single men of the older immigration came over alone, as did the married men who had left their families; but the proportion of families coming over together with the older immigration was very high and in the newer immigration is very low.

Mr. YOUNG. That is true; but it is true also that at least for 20 years it has been a very common thing for a man to come over here, perhaps married, perhaps not; if married, after he got a little money he sent for his wife and children; if unmarried, he sent for his sisters or brothers and brought them over here.

Mr. FITCH. That has been true to a certain extent throughout the history of immigration. It has been true for more than 20 years that the proportion of single men coming over has been very much higher than the proportion prior to that time. The Immigration Commission gives the date of 1883 as the date of the beginning of what they call the new immigration.

Mr. YOUNG. Immigration from the south?

Mr. FITCH. From southern Europe; yes.

Mr. YOUNG. So, notwithstanding the conditions as you have found them at Pittsburgh, considerable numbers of these people steadily improve their condition, find it better, at least, than it was in the old country from which they came, and gradually bring over these families, and the second generation starts out on a higher standard of living than their fathers?

Mr. FITCH. I think that is true, in so far as there is a second generation.

Mr. YOUNG. So that, however bad the situation may be in your opinion as the facts disclose, it is one that has a hopeful side to it, after all?

Mr. FITCH. I would hardly say there is a hopeful side merely because men who are now coming are still able to better their condition. It has a very dark side, because the number of immigrants coming yearly is so great that the proportion of unemployed is becoming also greater. It is becoming less and less possible for the jobs to go around; so that if there is no barrier placed to the immigration that is coming now, I can foresee a time when conditions in this country will sink to the European level. Then immigration will stop, because there will be no advantage.

Mr. YOUNG. You do not think they have done that yet?

Mr. FITCH. Not at all.

Mr. YOUNG. Did you make any investigation at Pittsburgh as to whether these employees at common labor were saving any money and depositing it in savings banks?

Mr. FITCH. I made no inquiry as to that. I know that many of them are, however.

Mr. YOUNG. You know what?

Mr. FITCH. I know many of them are doing that.

Mr. YOUNG. Do you know whether they are making other investments?

Mr. FITCH. Occasionally I heard of a man who was making other investments.

Mr. YOUNG. Among the men employed as common laborers?

Mr. FITCH. That statement was made to me. I never have talked with a common laborer who was making other investments. I am told that that is the case.

Mr. YOUNG. Of course, much of this information you have given us is as to matters you learned from conversation. For instance, you were told that in the Tennessee Coal & Iron Co. mines you would fare worse than you did where you were?

Mr. FITCH. I had rather more direct information than that that would tend to support my statement, which I am not at liberty to state.

Mr. YOUNG. I am not finding any fault with your stating matters that you were told.

Mr. FITCH. I understand.

Mr. YOUNG. But all through your examination a portion of the facts were matters that you learned in that way and not through actual observation?

Mr. FITCH. When I speak of conditions of labor, I am telling what the men have told me who are experiencing those conditions.

Mr. YOUNG. And what you have seen also?

Mr. FITCH. Yes.

You have asked me about investments, and the rumors that have come to me as to some indefinite person, not named, who has made an investment, are a very much more remote thing than the other information I have given you.

Mr. YOUNG. You made no special inquiry into that subject?

Mr. FITCH. No.

Mr. YOUNG. You did not try to ascertain as to the fact, except as it came along incidentally?

Mr. FITCH. That is true.

Mr. YOUNG. To sum it all up, I understand that the purpose of your investigation was to find the actual condition of these men as they lived in their homes or boarding houses or places of abode, the wages they received, etc. That is what your investigation intended to include?

Mr. FITCH. My investigation intended to include chiefly the working conditions and not living conditions. I have tried to make it clear that I have not investigated living conditions to anything like the extent I have investigated the working conditions. I have been in the homes of quite a number of common laborers, but almost incidentally, I might say. I went repeatedly, again and again, into the mills and earnestly sought for men in the mills and in their homes who would tell me about working conditions; so that that was the main thing in my investigation.

Mr. YOUNG. That is all.

Mr. BEALL. Have you, Mr. Fitch, ever made any investigation yourself or made a study of the question from authoritative sources as to the conditions prevailing in other countries in this industry?

Mr. FITCH. No. In this industry?

Mr. BEALL. Yes.

Mr. FITCH. I have made some inquiry as to conditions in England and some little as to conditions in Germany.

Mr. BEALL. What has been the result of that inquiry, both as to character of labor and time of labor, and mode of living of those engaged in the industry?

Mr. FITCH. I am unable to give you information as to all of that. From what I have been able to learn, working conditions in Germany are very similar to those in this country. I should naturally suppose that the working force is more homogeneous, more a native product than labor force in this country, though I have no information on that. I should expect the same to be true of the labor force in England.

I know nothing as to how they live in either country. In England I have secured rather more direct information, so that I know the hours of labor are to a considerable degree shorter in the iron and steel industry than in this country.

The CHAIRMAN. Is labor more continuously employed there?

Mr. FITCH. I could not say as to that.

The CHAIRMAN. How do you account for this very great unevenness of employment? These jobs seem to be ephemeral?

Mr. FITCH. As I said yesterday, I think it is due to some extent, to a great extent perhaps, to the increase in capacity of our plants and the overbuilding of plants. I do not wish to be understood as criticizing that policy as being one intended to bring about such results. That, I judge, is due very largely to overhopefulness that resulted from the boom times of 1906 and 1907. Gary, for example, was planned before that, and was built during that period, and there was great expansion during all that period. Plans were made for new plants and the building of them had started. That building has gone on since then. The capacity of the country was very much greater than it would have been if it had been known the panic was to come. That hopefulness was based in great degree, however, upon the expectation of securing a foreign market, and no one hoped, I am quite sure, or expected that for many years the demand in this country would be sufficient to keep the mills running. They expected to secure a foreign market.

It appeals to me as a very novel situation—a situation very difficult to deal with—that we are building plants beyond our capacity, that we are bringing in foreign laborers and manning these plants as if they were to be worked to capacity, and then that we are obliged to maintain conditions similar to conditions in Germany because we must do that in order to compete with Germany for the foreign markets in order to keep these mills running. So we have a continuous circle here and you can not stop it anywhere. We must have the foreign market in order to keep the mills running. We must keep the 12-hour day in order to make it possible to sell steel at a rate that will enable us to get that foreign market. And we are constantly bringing in foreign laborers, to become in six months American workmen, who must be protected against the aggressions of the foreign manufacturers.

Mr. YOUNG. You have spoken twice of bringing in foreign labor. Do you know that the Steel Corporation, for instance, is sending inducements out to these men to come here; that they are bringing them over either in violation of the contract labor law or by some inducement that gets around it?

Mr. FITCH. No; I do not think the Steel Corporation is doing that. I used the expression loosely.

We are permitting these men to come, and having come we seem to think it is incumbent upon us to keep them employed at any cost, and that we must allow a 12-hour day and other unjust conditions to continue in order that American labor may be employed, which, after all, is not American labor, and which is suffering because a short time ago it was foreign labor, and because the supply of foreign labor is constantly increasing. If we could stop this circle somewhere and give American labor a chance to catch up—stop immigration until there were jobs enough to go around and pay no attention to foreign markets—then we might possibly have better conditions in this country, based upon competition between companies instead of competition between countries.

Mr. DANFORTH. Do you think native-born Americans there would do this kind of manual labor in blast furnaces that imported labor does, if the imported labor were not there?

Mr. FITCH. I do not know as to that, but now we have more foreign laborers than are necessary to run these furnaces. I think we have a responsibility to these men because we have let them come. I would recommend stopping this stream for a while, until we can properly take care of these men.

Mr. DANFORTH. That is a question of regulating immigration?

Mr. FITCH. Yes.

Mr. DANFORTH. And not regulation of the steel business?

Mr. FITCH. No.

Mr. DANFORTH. I do not know whether you have covered this matter or not—I was unfortunately absent this morning—but it occurred to me yesterday, when you were discussing the stock-purchasing plan under which the employees of the Steel Corporation can subscribe for stock, that you objected to the scheme of depriving these men of their liberty, holding them in restraint, and being an added preventive against their exercising their right of free speech and free organization; and you seemed to think, as I understood you, that this dividend of $5 per year extra might be taken away from them unjustly, even though it had been accruing for the five years?

Mr. FITCH. It is possible at any time to hold that back and not pay it.

Mr. DANFORTH. That was one of your reasons against the plan?

Mr. FITCH. Yes.

Mr. DANFORTH. And one of your reasons for disapproving it?

Mr. FITCH. Yes.

Mr. DANFORTH. Do you know of any case where the $5 or the $25 divided for five years has been retained or kept back from these employee subscribers of stock, under circumstances which appeared to you to be unjust?

Mr. FITCH. No; so far as I know, it never has been kept back.

Mr. DANFORTH. Then you are objecting to the theory of the scheme?

Mr. FITCH. Exactly.

Mr. DANFORTH. If you were going to organize a steel corporation, or if you were going to manage the Steel Corporation now it is organized, you would have some other scheme.

Mr. FITCH. If I were embarking upon a scheme that I called profit-sharing I would try to have it on such a basis that the employee would have a right to his profits because he is employed there, and it could not be taken away from him because he had done something that might seem to the manager to be inimical to the interests of the company.

Mr. DANFORTH. You do not know of any individual cases you could cite where it has been unjustly retained?

Mr. FITCH. No; the employees are not independent men. They do not protest. They do not do these disloyal things that I think are intended in that resolution or in the rule, where it says absolutely——

Mr. DANFORTH (interposing). They do get their $25?

Mr. FITCH. They do get their $25, those who are able to buy stock. I said it was not a profit-sharing scheme. Nobody can get this $25

who is not able to buy stock. A profit-sharing scheme should include all the employees.

Mr. DANFORTH. You would hardly expect a corporation to give an opportunity to buy stock below market price and earning whatever the regular dividends are, and in addition to receive $5 per year for five years if the men were not loyal to the employment, would you? That sifts down to a difference of opinion between you and the managers of this corporation as to what is a reasonable profit-sharing scheme.

Mr. FITCH. I would not say that, because if I could discuss what is a profit-sharing scheme with the managers of this corporation for a little while I think we could agree that this stock-issuing plan is not a profit-sharing proposition at all. It is a misnomer to call it that. It is a scheme for selling stock at a low rate, and it is a very good form of investment, except when a man once embarks upon it, if he wants to take advantage of these remarkable earnings on his investment, he knows that he must be loyal. He knows men have been discharged for protesting against conditions that they considered unjust. He knows that that is quite widely felt in the corporation to be an act of disloyalty——

Mr. DANFORTH (interposing). You would not expect the disloyal employees of any employer to receive anything beyond their day's wages, would you, on any scheme?

Mr. FITCH. That raises a question as to what is a disloyal employee.

As regards profit sharing, however, there is a man named Nelson, who maintains a concern at Le Clair, Ill. He has a profit-sharing plan. His employees have a right to the profits. His employees have struck twice since the profit-sharing scheme went into effect and have not been deprived of their profits.

Mr. YOUNG. What happens under his scheme if the business is done at a loss? Does the laborer forfeit his wages under that scheme?

Mr. FITCH. I would not think the employee would forfeit his wages, when wages are not a part of the profit sharing. His stake in the property is very small as compared with that of the employer. He has an additional stake. In case there is a loss, of course, he would lose that profit, but I am sure no one would maintain that he should lose his wages also. The president of the company would not lose his salary in that case.

Mr. DANFORTH. Mr. Brandeis, in his very brilliant address before this committee, stated he disapproved entirely of the pension scheme on the ground that it also tied these men up in undue bonds to retain their loyalty to their employer, and that no pension scheme should be used which did not include subscriptions by the employees out of their wages to go into the fund. He based his argument largely upon facts which he got out of your reports, as I understand it.

What are your views on that subject?

Mr. FITCH. I suppose Mr. Brandeis meant if the employee contributed something then he would have a property right in the pension, and that it could not be legally taken away from him.

Mr. DANFORTH. He may have meant that, but he did not say that. He said this scheme was not a pension scheme at all; that it was of

no benefit to the employees, because they did not have that interest in it. Suppose the employees did not want to subscribe; would you think this pension scheme which now exists in the Steel Corporation is better than no pension scheme at all?

Mr. FITCH. Perhaps it is. I am not ready to say whether or not it is. I do think this, that a pension scheme in any concern can hardly avoid that element which Mr. Brandeis mentions, of depriving the employee of his full freedom of action, unless the pension exists throughout the industry, so that if a man wants to quit work for the Steel Corporation he can go to work for Jones & Laughlin and still have his right to the pension. That would bring about a condition that would entirely do away with this situation.

Mr. YOUNG. Receiving the same pension, to which the Steel Corporation would contribute half, that he would receive if he continued in its employment?

Mr. FITCH. I am not speaking of a fund maintained by the steel corporation. The fund should be maintained by the industry, or, better than that, should be maintained by the State. We could then do away with this thing which makes a man who has been working for 15 years hesitate to protest against conditions which he feels are not good, because he thinks that in 5 years more or 10 years more he can retire on this pension, if he is good, and he is willing to put up with that condition that he knows to be bad for 5 or 10 years more; and if an old man, especially, he will put up with it for a number of years in order that he may be safe in his old age. I think to preserve American liberty we need in some way to make it possible for old men who have spent their time in an industry to have an assured income of some sort, and not to deprive them, not to ask them to run a risk of losing their jobs and so lose their stake in this pension fund if they express an opinion that conditions are bad and that they would like to see them improved.

Mr. YOUNG. You favor an old-age pension paid by the State, the money to be raised by taxation generally?

Mr. FITCH. I am merely saying that the State should control it, and, if so, the situation would be better. I am not ready to speak now upon the general subject of old-age pensions. If the State should contribute a small amount and require the employee to contribute and the employer to contribute at the same time, the situation would be very much better—possibly ideal.

Mr. DANFORTH. Is not the theory of pension the only theory that justifies it—the idea that it is a deferred payment of wages?

Mr. FITCH. Possibly that is the theory.

Mr. DANFORTH. Then you would make some condition, would you not? You would not give the same pension to the man who had been a drunkard and shiftless and worked half the time that you would to the faithful and industrious employee?

Mr. FITCH. Oh, no. That would have to be hedged about with restrictions, and a man would have to be a bona fide workman in order to get a workman's pension.

Mr. YOUNG. He would have to comply with certain reasonable rules?

Mr. FITCH. Yes.

Mr. DANFORTH. So you would be in danger of running up against this same thing that you are objecting to now?

Mr. FITCH. You are always in danger, under the point which you mentioned yesterday, of running up against something, because you give up your liberties to a certain extent when you enter into society; but if all of society is concerned in this thing, in the long run justice will be done. I think that is the theory of a democracy. If the State had some stake, if the State had contributed something to this pension fund and controlled it, in the long run I think justice would pretty fairly be done. But leaving it entirely in the hands of the men who are employers, and entirely in the hands of the men whose interest it is to get high dividends and not to pay high wages, I do not see just how the rights of the working men are protected.

Mr. YOUNG. I see what you refer to; but is it not also true that too great an eagerness for dividends—to use a common phrase, greed—pretty largely defeats itself; and that you may, perhaps, be a little unfair and go a little further than you have a right to go, but just as soon, to use the question of the working men as an illustration, as you take so much out of them that they feel they are unjustly used, you do not get much service? Human nature will bear only about so much before it rebels, and broadminded and wise employers appreciate the full force of that, and that to some extent—not completely, but to some extent—does away with the dangers that you apprehend?

Mr. FITCH. Owing to the conservatism of all classes of working people, the hesitancy to change one's course, it would be a long time before labor can protect itself to such an extent as to secure justice.

I want to say in that connection something to explain a statement that I made yesterday, that the Steel Corporation, on account of its great power, constitutes a serious menace to the peace and well-being of the people. They have done the things you have mentioned. They have carried the matter beyond the limits of justice. When the employee tries to protest he is discharged for protesting. After a while the resentment will grow so keen and so bitter that something will happen. I do not know just what that will be. But it is holding men down; it is a denial to men of the right to express themselves and to have something to say about the conditions under which they live and work that creates the greatest sort of resentment in a community. I should not be surprised to see an outbreak after a while in steel communities as a result of that. I should expect it to be sporadic. I could not and should not expect a revolution to take place over night. You never can arouse the American workingman or even the foreign workingman in this country to widespread violence unless he has been bitterly abused and for a long time, or unless he has been deprived of his liberties for a long time; but keep up that policy constantly, and I do not like to think of what may happen.

The country has lately been aroused over an incident where laboring men seemed to think they had to take things into their own hands. None of us can think of that occurrence except with horror. None of us can do other than condemn in the strongest terms the action that those men took. I do not know exactly what happened that led up to that feeling. There is violence again to-day in a city in Massachusetts for one reason or another.

Mr. YOUNG. That is a very different thing from the matter to which you refer.

Mr. FITCH. That is a different thing; but I am talking about the labor conditions in the United States. I am talking about what may happen in the steel industry, and I want to press the point that we are considering a very serious situation, and we are not considering a matter that we can lightly cast aside, or that we can afford to overlook. Even if the claims of labor are unjust, even if my claims are radical here, I do not think we can afford to overlook the proposition that a very serious situation is arising because of the denial to men of full freedom of expression. I want to say that the time will come when these men will protest, and protest violently, unless they are given some opportunity to express themselves.

Mr. YOUNG. You have stated, a moment ago, that men had been discharged by the Steel Corporation because they protested. Just what do you mean by that? What did they do that they were discharged?

Mr. FITCH. Did I say they had been discharged because they had protested?

Mr. YOUNG. That is what I understood you to say.

Mr. FITCH. Possibly I said that. I do not know of a man being discharged for protesting.

I know of men having been discharged who intended to protest—discharged because they formed a labor organization, the only machinery through which they could effectively protest. This labor organization was formed for that purpose, and for no other. Everybody knows that, and these men were discharged before they had a chance to get their protest in.

Mr. YOUNG. Do you mean the Steel Corporation has discharged men simply because they joined a labor organization?

Mr. FITCH. Yes.

Mr. YOUNG. Where did that occur?

Mr. FITCH. That occurred at Homestead at a number of different times. It occurred at Gary about a year and a half ago.

The CHAIRMAN. Give us that Gary incident, or one of them.

Mr. FITCH. One with which I am particularly familiar is that of a young man working in the electrical department—a young high-school boy from a town in Ohio. I talked with him. He was rather a clean-looking young American boy. He had been carrying a book in which the men had been writing their names down because they wanted to join an electrical workers' union. He was acting as secretary pending a formal organization, and was accepting their dues and their membership fees. He had been doing that for about two weeks when he was suddenly discharged, and given a slip upon which he was told to go to the office for his pay. Upon his slip were written the words, "Union agitator." I have seen that slip.

I would like to say here that I do not think the officials of the United States Steel Corporation realize the foundation they are laying. I think there is an honest difference of opinion between myself and them as to what sort of philosophy ought to prevail in

industry and in politics. It is my opinion that in many cases unwittingly—in every case unwittingly—they are laying the foundation of serious unrest and possible violence in this country.

Mr. REED. Do you think their men are disaffected now?

Mr. FITCH. I know they are.

Mr. REED. As a whole?

Mr. FITCH. It is difficult to say they are as a whole. Many are new employees who have not yet found out what the conditions are in the industry. Many are old employees who have made up their minds to accept a condition where they do not dare speak freely on the street or talk freely with their neighbors as to conditions in the industry. There is a very large element of young men who have been in the industry long enough to know what the condition is and who have not yet been there long enough to have their spirits killed, who are seriously disaffected and who have told me that they can see no way out except through personal violence.

Mr. REED. Dynamite, you mean?

Mr. FITCH. One man said to me he expected to see the time come when he would have to carry a gun. Another man or others who have spoken to me about it have merely said "violence" would have to take place. They did not say in what form it would be.

I want to say only a few men have said that to me. Men do not usually speak freely in regard to things of that sort.

Mr. YOUNG. Has there ever been a time in this country, within the last 50 years, when there were not some men that felt and talked that way?

Mr. FITCH. I do not think so. I think it is rather a serious thing, though, and it is worth while to consider whether there is any reasonable foundation for that whenever it occurs.

The CHAIRMAN. You spoke of repression of unionism, and you also mentioned in your book the political activity of the concerns. Do you know of it making any effort to control its employees in the discharge of their duties to the State or municipality for their political followers?

Mr. FITCH. I have reason to suspect some such interference in some cases, but I have no direct knowledge except in one case.

The CHAIRMAN. What was that?

Mr. FITCH. It was in 1907 or 1908—I do not now recall, but I have it in my book—when there was a campaign on in Pennsylvania for local option on the saloon question, and a considerable number of superintendents of the Edgar Thomson plant, at Braddock, of the Carnegie Steel Co., were interested in this campaign, and some of them were making public addresses in favor of electing to the legislature a candidate who would vote for the local-option law. There were other candidates at the same time, who, naturally, were opposed to this local-option law. The men who were opposed were also, it happened, in Allegheny County, favorable to the reelection of Senator Penrose to the United States Senate. I have received direct information that a meeting was called of the superintendents—that is, the department heads of the Edgar Thomson plant—and the general superintendent of the plant, I am told, read to them a message, which he said came from headquarters of the Steel Corporation in

New York, ordering him to line up his superintendents, and for them to line up their employees, for the Penrose candidate; and he issued those orders. Some of the superintendents protested and said they had already committed themselves to the other candidates; but they were told, my informant said, that they would have to give up their support of those candidates; and as a result they did largely give up their advocacy of the local-option candidates, and the movement rather slumped in that vicinity, and the anti-local-option candidates were elected—I should say nominated—this was a campaign before the primaries for the nomination of candidates.

The CHAIRMAN. Your informant was present at this meeting?

Mr. FITCH. Yes; he was present at this meeting.

The CHAIRMAN. That seems to be all, Mr. Fitch. We are very grateful to you for your kind and patient attendance upon the committee and for the valuable information you have given us.

The committee will now stand adjourned until next Wednesday, February 7, at 10 o'clock a. m.

Thereupon, at 12.45 o'clock p. m., the committee adjourned until Wednesday, February 7, 1912, at 10 o'clock a. m.

The following is the paper which the committee yesterday requested Mr. Fitch to furnish:

THE COST OF LIVING IN PITTSBURGH.

[A paper presented by Mrs. Wood S. Worcester at the meeting of the central council of the associated charities. Meeting Monday, October 3, at 3.30 p. m., at the chamber of commerce, based on the investigation of exact family budgets by the training class of the associated charities.]

To no group of people are ideals so absolute as to the social worker. On the other hand, there is no body of workers to whom the challange is so frequently thrown down, "Give us facts; not theory, but facts." There are no less controvertible facts than those that deal with the cost of living in a community, uncontrovertible because they affect the public as a whole and can be verified by any who should challenge their authenticity. When a study of the cost of living passes over into a discussion of a fair standard of living, as it inevitably must if it is to be of value, that very combination of ideals with facts fits the social worker to perform his services with intelligence, and at the same time forces upon the public conclusions from which there is no escape. When the labor-union leader knows positively what it costs to live in a community, he knows what wages his fellows should receive, and the public will support him in his demand for a living wage. When the charity workers know how much a family requires weekly to keep them in fit physical condition, they can measure intelligently the adequacy of their relief.

We all know that the cost of living is higher than it ever was before in this country. This is a matter of common knowledge, of common experience. But something more is needed than this general information. The budgets collected by the training class of the summer school give us that accurate and detailed information that is necessary for our purposes. These studies tell us what certain families are actually spending in Pittsburgh. They alone do not tell us what it costs to live, for there is a difference. We must not fall into the too common error of thinking that because a thing exists or because it is average it is normal. It is possible, it is even true, in many communities that the average standard of living is far below the normal—that is, it is a standard so low that individual physical inefficiency is inevitable, and consequently upon that is racial degeneracy along both physical and moral lines.

When it comes to a discussion of what constitutes a fair standard of living for workingmen, the snobbishness that seems to form some part of all who do

not toil with their hands invariably comes to the surface. We hear "But their needs are not our needs—they do not need such homes as we have, such clothes as we have, such pleasures as we have." Remember, however, that this is your verdict, and not the workingman's. Do not expect me to include automobiles and Turkish rugs as necessities for the laboring man. But we must insist, I think, that at least his physical wants are the same as ours. Nature is not a snob. She knows neither ranks nor classes. Physiologically we are all alike, or should be, are, except in those cases where chronic underfeeding and exposure have produced physical deterioration which we recognize as abnormal. The workingman needs at least as much food as the rich man and as good food. If there is a distinction it is in favor of the workingman, but, after all, his physical energy, his body, is his only asset. He must eat in order to work and work in order to eat. That is his story.

The cost-of-living study that we have made in Pittsburgh is limited in scope. It is a study of 17 families—too small to enable us to generalize upon the extent of poverty in the city, yet because of its accuracy and completeness it is most helpfull in determining what it costs the poor man to live here.

In regard to the one important item—food—we have all the material that is needed for drawing important conclusions, for the budget of 1,000 families instead of 17 would only tell us what these few tell us, namely, what workingmen are spending, not what they need to spend. Even then we would be forced to seek some standard, something by which we could measure and determine how much food the human body needs.

Thanks to the late Prof. Atwater, of the United States Department of Agriculture, such a standard has been given us. His scientific experiments, which it seems to me are the most valuable contributions that have been made to modern sociology, extended over a period of many years. They were made in various sections of the country, among all classes of people. His conclusions have been accepted almost universally throughout the civilized world by those interested in dietaries and in the standard of living. He has expressed his conclusions in scientific terms. The body requires certain food elements for perfect nutrition, certain quantities of proteid, such as meat and egg or tissue-building carbohydrates food, certain quantities of starchy or fat producing food and fats and oils for heat-producing food. The scientist, like nature, is never a snob. Atwater recognized the fact that the man at hard muscular work needs more food than the man or woman of sedentary occupation. He took as the standard the requirements of a man at moderate muscular work. Scientifically expressed, this is 115 grains of protein, enough starch and fat to produce 3,800 calories of heat energy every day. What do these figures mean in plain everyday terms of meat and potatoes? When we can convert them into these same facts we have a real basis for determining the quantity of food that a man needs which must be acceptable to all.

A theoretical menu or dietary that contained the proper nutritive elements might have been resorted to to put far more satisfactory than that in a real dietary of some institution where the proper food requirements are met and where the food is of such a nature that its cost is reduced to a minimum. In our study of the standard of living made for the Bureau of Labor we took the dietary for one week of a prison in the country where an attempt is made to feed the men scientifically, so to speak, and where cheapness is, of necessity, of prime importance. From this prison the exact quantities of the various articles of food given to each man were available. Atwater's requirements are practically satisfied, the prison being only a trifle low in protein. It is a simple and easy matter to find the cost of this dietary in any locality by simply obtaining the retail prices and figures and the cost of the various articles.

In Pittsburgh in 1910 the cost was found to be $1.96. In Fall River, Mass., in 1909, it was $1.78. In Atlanta, Ga., in 1909 it was $1.73. This means that the cost of food materials alone for a man at moderate muscular work is, in Pittsburgh to-day, $1.96 per week, or $0.28 per day. I will insert the menu for one day in this prison so that you may know the character of the food which this sum will purchase:

Breakfast.	*Dinner.*	*Supper.*
Wisners. Hominy.	Pork and beans.	Sliced potatoes.
Bread. Butter. Coffee.	Raw onions. Water.	Bread. Butter. Coffee.

The raw materials of such fare as this cost $1.96 each week for a man engaged in moderate muscular work such as street cleaning, for example. If he is engaged at hard labor, such as heavy work in the mills, he requires a greater quantity of food. If he is engaged in sedentary work he requires less. Women need less than men, and the requirements for children vary with age and sex. Atwater's experiments enabled him to formulate a table which shows the relative quantities of food required by individuals of different age, sex, and occupation. Taking the man at moderate work as a unit or 1. The man at hard work requires 1.2 as much—that is, his food would cost 1.2 times as much as the man doing lighter work. A woman requires 0.8 as much as a man. Boys from 15 to 16 require as much as men, girls of that age 0.8, and so on. Knowing the constituency of our family, then, it is a simple matter to determine the quantities of food required in that family, and then its cost.

Take, for example, one of our families whose budget was obtained for five consecutive weeks. There were nine in the family—father, mother, and seven children—ages running from 18 to 2. The father was 1, the mother 0.8, the oldest boy at 0.9, the girl at 0.7, and so on. It was found that the nine members of this family were equivalent, as far as food requirements go, to 6.9 men. That is, their food would cost 6.9 times the $1.96 or $13.54 per week. What did our budget show that the family's food really cost? Instead of $13.54 it was $8.27, or $1.20 per man unit. Take another family—father, mother, and five children. They reduced to 5.3 man units. They should have had $10.38 to spend on food. Instead, they spent $4.98, not even half enough to purchase what the convicts were getting in one of our penitentiaries. And remember, if you please, what they are getting. But if the family lived on that, why trouble? But there is the really vital point. They weren't living. They were slowly but surely starving. That is the simple truth which was painfully brought to our attention. This latter family were our near neighbors at the time these budgets were being collected. The oldest boy became too ill to work. He was a pale, hollow-chested youth of 17. There seemed to be nothing definite the matter with him, only weakness. The doctor's verdict was that he was just starved out, that the only medicine he needed was food.

In all of our budget studies we found only six families who were spending as much as this minimum sum of $1.96 per man unit per week. There were 11, or 65 per cent of the whole number, who were chronically underfed, and they from that class of people upon whom the burden of doing the world's heavy work is falling; they, above all others, need good, nourishing food which can be converted into physical energy. We recognize this first prime necessity with our beasts of burden. We do not need cost-of-living studies to force home the lesson there.

Now, in spite of the fact that the expenditures of most of these families were far too low, the sum that is necessary for the mere maintenance of physical health, in all but four of them the expenditure for food alone was more than 50 per cent of the total expenditure. Spending more than half their income on food and having only half enough to eat.

Three of the 17 families could not pay their rent when it fell due. The lowest any family paid for rent was $6; this was a widow and three children, who occupied only two rooms. Others were paying from $8 to $18. There were in all only five who were paying less than $10 per month.

Only four of the families were saving money, and these were the small savings amounting to from 5 cents to 50 cents a week collected by the Penny Provident Home Savings Fund of the Associated Charities. Only one family spent anything on recreation or amusement. This was in the case of a man who went on an annual picnic.

The expenditure for clothing was abnormally small, due to the fact that the budgets were obtained during the five weeks of midsummer, when the need for new clothing was at a minimum. This holds true also of fuel, some of the families who had purchased their coal in a large quantity showing no expenditure at all for fuel throughout the whole study.

All but six of these families had a small expenditure for medicine. Ten of the families carried some insurance. Eleven spent small sums ranging from 4 cents to 36 cents on tobacco, depending upon the number of adult males in the family. Only four reported expenditures for alcoholic drinks, the lowest average being 2 cents and the highest $1.16.

Whether these families indulged in extravagances not recorded here is really beside the question. Those expenditures that we have are accurate. Their budgets were collected from day to day with the constant supervision of members of the training class. We do not know their incomes. What we do know and what it is important for us to recognize is that 17 families in Pittsburgh were spending from $8 to $21 a week on necessities and that 65 per cent of these were underfed. When the expenditures for food and clothing go up, as they invariably must as winter comes on, it is safe to assume that the expenditures for food will be smaller still, for food is the only flexible item. Rent must be paid or a landlord's warrant will render them not only homeless but deprive them of every stitch of furniture that they possess.

Let us take what investigators into the cost of living usually consider a normal family—a father, mother, and three children; a boy 13, a girl 11, a girl 9. Using Atwater's table, this family of five reduces to 5.7 man units. Their food will cost them $7.25 per week, or $382 per year. Rent can not be taken at less than $10 per month in Pittsburgh, for although there are a small number of families who pay less than that the majority can not have such houses for the simple reason that there are not enough to go around. Many who can ill afford it must pay more than this sum. As has been said, our budgets, as taken in the summer, are incomplete for clothing. It can not be averaged. We must have data for the whole year. Such data was gathered by us in Fall River, Mass., for 1909, where climatic conditions are the same as here. Prices may be slightly higher here now than they were there last year. We will not err greatly, however, in using these figures for clothing, obtained as they were by a complete study of the expenditures for a whole year, eliminating all purchases which could in any way be considered nonessential or extravagant. The clothing for the father would amount to $45 for the whole year; for the mother, $34; for the boy of 13, $30; for the girl of 11, $25; for the girl of 9, $17; or a total of $151 for the whole family for the year. Fuel represents our only other estimate here. We can not use the Fall River figures for anthracite coal is used here.

In Atlanta, Ga., where soft coal is used, the winters are not as severe as here. Taking the quantities used there at the retail price here, $3 per ton, fuel would cost the Pittsburgh family certainly not less than $25 per year. Light, using kerosene oil rather than gas, amounts to $6.25 a year. Sundries—that is, soap, starch, matches, blueing, washing powder, etc.—amount to 25 cents a week, or $13 a year, an average taken from the budgets here, which agrees with our figures obtained elsewhere. Incidentals, including cooking utensils, brooms, pins, buttons, small articles of household furniture, average 50 cents a week, or $26 per year; $18.50 a year for a family of this size for medicine was the minimum sum adopted by us after a study of a far larger number of families than we have here. This is $2 per year less than the sum would be if averaged from our present data. Any standard that does not allow for savings must allow the small sums almost universally spent among laboring people on industrial insurance, 10 cents a week for adults and 5 cents for children is allowed. This makes a total of $18.20 per year.

An allowance of 10 cents a week for tobacco is seemed necessary, since most workingmen regard it as a necessity; and when no allowance is made, the expenditure inevitably comes out of the food supply. It is believed necessary to allow 25 cents a week to the family for recreation. Out of this must come any car fare that is spent, for it is assumed that the father will live near enough to his work to walk. Nothing will be allowed for schoolbooks, as they are furnished children in the public schools, although Catholic children who attend parochial schools must purchase their own books. No allowance will be made for church or charity, although again, the Catholic families, of whom there are a large number among the working people, must regard a weekly church contribution as almost a necessity of life.

These various items make a total of $768 per year, or $14.78 a week, a sum that the father of three children, a usually small family among laboring people, must spend on the dire necessities of life. This means that the workingman must receive $2.50 every working day in the year, Sundays, the Fourth of July, and Christmas only to be omitted, if he is to be the father of three children and not see them hungry and ragged and cold. Surely anything less than this can not be considered a living wage in Pittsburgh.

Father:

1 suit	$12.00
1 overcoat	6.00
2 trousers	3.00
Light shirt	1.00
6 colored shirts	3.00
3 overalls	1.50
Winter underwear	2.00
Summer underwear	2.00
3 pairs shoes	7.00
Socks	2.50
2 hats	3.00
Collars	.50
Neckties	.50
Suspenders	.25
Handkerchiefs	.30
Barbering	1.20
	45.75

Mother:

1 coat	$5.00
1 waist, wool	1.60
1 skirt, wool	6.25
4 gingham dresses	3.80
1 lawn dress	1.45
2 cotton petticoats	1.00
4 drawers	.65
2 suits underwear	2.00
Summer hat	2.00
Winter hat	2.00
Stockings	2.00
Shoes	4.00
Handkerchiefs	.25
Lisle gloves	.50
Mittens	.25
Sateen petticoat	1.00
	33.75

Sons, 10, 11, 12, 13:

2 suits	10.00
Overcoat	3.00
4 trousers	2.00
6 shirts	1.80
Underwear	1.00
Hat	.50
Cap	.25
Neckties	.25
Suspenders	.25

Daughters, 10, 11, 12, 13:

1 coat	2.00
1 wool dress	2.00
5 gingham dresses	3.65
1 lawn dress	.75
2 white petticoats	.80
2 flannelette petticoats	1.00
4 drawers	.40
Underwear	.50
Summer hat	1.00

No. 44

UNITED STATES STEEL CORPORATION

HEARINGS

BEFORE THE

COMMITTEE ON INVESTIGATION OF UNITED STATES STEEL CORPORATION

HOUSE OF REPRESENTATIVES

WEDNESDAY, FEBRUARY 7, 1912

WASHINGTON
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1912

UNITED STATES STEEL CORPORATION.

COMMITTEE ON INVESTIGATION OF THE
UNITED STATES STEEL CORPORATION,
HOUSE OF REPRESENTATIVES,
Wednesday, February 7, 1912.

The committee this day met, Hon. Augustus O. Stanley (chairman) presiding.

Mr. REED. Mr. Chairman, before the witness for to-day is sworn, I would like to say that, as the committee has very kindly offered us the chance to produce witnesses, or suggest witnesses to be called, on one subject or another, it has occurred to us that we would like to have a witness called to give the corporation's side of this labor question; and I would suggest, if it suits the convenience of the committee, that Mr. Percival Roberts, jr., who has already been before the committee, has full information on that subject, and might enlighten the committee to some extent on conditions from the viewpoint of the corporation.

The CHAIRMAN. I shall be glad to hear from him.

Mr. DANFORTH. I think it would be most entertaining.

Mr. BARTLETT. Is Mr. Roberts in New York?

Mr. REED. I think he is in Philadelphia now, but he could be here on the 14th or 15th, if either of those days would suit the convenience of the committee.

The CHAIRMAN. As far as the committee is concerned, I shall have to see the investigators of the committee, but I think we could hear him earlier than that.

Mr. REED. I do not know whether his arrangements would permit him to come here conveniently much before that, Mr. Chairman.

The CHAIRMAN. What day of the week is that?

Mr. REED. A week from to-day will be the 14th. Of course, that is subject to the convenience of the committee, however.

The CHAIRMAN. We will endeavor to suit his convenience. I think we might hear him on that date. I can tell you in a few minutes. I will let you know at the luncheon hour. I am pretty sure there is nothing for that day.

As soon as we finish this labor question, which, I think, will be this week, by Saturday, we ought to get through with it, with the exception of such witnesses as the corporation may choose to call. Then we will take up this transportation matter.

STATEMENT OF SHELBY M. HARRISON.

The witness was duly sworn by the chairman.

The CHAIRMAN. In connection with what Mr. Reed has just said I have tried to be especially careful in going into this very question not to produce witnesses who have had an obsession on the subject or who

were prejudiced or who had any grievance against the corporation, because I hope, above all things, to present a cool, unimpassioned account of this condition as it exists.

When Mr. Fitch was on the stand he said something about having submitted his book and other papers from which he quoted and from which Mr. Brandeis quoted to the Steel Corporation and its officials. Do you know whether your report, about which I shall ask you later, was submitted to the Steel Corporation and its officials?

Mr. HARRISON. I do. It is the policy of the magazine. Of course, as you know, one of the editors of the magazine is a man who was a director of the Pittsburgh Survey under which these other investigations were made, Mr. Fitch's being one.

It is the policy of both the magazine and the Pittsburgh Survey to submit any articles or manuscripts for books which would be critical of any particular company or particular person to that person or company before publication, for several reasons, one being to give an opportunity for the person or company criticized to correct any misstatement of fact.

The purpose of the investigation was to correct conditions that might be viewed by the public as unwholesome. It would not be working along any scientific method toward the solution of these problems if a misstatement of the problem were made. So the first purpose of the Survey was to be sure of its facts.

It, of course, did not always expect the people to whom the manuscripts were submitted to agree with the interpretation of the facts or with the conclusions drawn from the facts. That was a matter of opinion. It did expect, however, that the people to whom the manuscripts were submitted would agree to facts which were facts and which they could not disprove.

So Mr. Fitch's manuscript for his book was submitted to the president of several of the subsidiary companies in the Pittsburgh district who were directly mentioned in the book or in the manuscript. I am of the opinion that it was submitted to some of the New York men. I am not quite sure of that. I know that in his recent articles they have been given to Mr. Bolling in the New York office.

My article in manuscript form was submitted to George Gordon Crawford.

The CHAIRMAN. Who is he?

Mr. HARRISON. He is president of the Tennessee Coal, Iron & Railroad Co.; to Mr. George B. McCormick, president of the Alabama Coal Operators' Association; Mr. James G. Oakley, president of the Board of Convict Inspectors of Alabama, and a number of other people who would view it from a different side. These were employers.

Of course, I submitted it, then, to the men who might know the prison and crime problem purely from a crime-problem side and not from a labor side.

The CHAIRMAN. I believe Mr. Cabote, a large stockholder of the Steel Corporation, wished to circulate this story merely to the various stockholders of the corporation, did he not? Do you know what luck he had in that; what effort was made to acquaint the stockholders of the Steel Co. with this condition of affairs, as recited by Mr. Fitch and yourself?

Mr. HARRISON. I understand that Mr. Charles M. Cabote, a stockholder of the Steel Corporation, wished to circulate an article which Mr. Fitch published, or which was published in the American Magazine about a year ago, I think it was, this coming April.

The CHAIRMAN. Touching these same labor conditions?

Mr. HARRISON. Yes; it was really the gist of his book. I understand Mr. Cabote's idea was that he, as a stockholder, felt that he should be interested in the process by which his dividends were made; and he felt that all other stockholders should also be interested, and for that reason he wished to circulate that article among the stockholders.

I only know from what has been told me that there was an understanding by which Mr. Cabote was to receive a list of the stockholders and circulate it among them, and that later he was not given the list, and that he brought suit for it and won his suit.

Mr. REED. Who told you that?

Mr. HARRISON. That was newspaper report, and we presented that in the columns of our magazine, and there has been no contradiction of that statement that I know of.

The CHAIRMAN. Who are connected with this Charities Publication Committee? Who are the people who are behind this matter for whom you are working; do you know?

Mr. HARRISON. The Charities Publication Committee is a national committee composed of men who represent a good many types of interests.

For instance, there are social workers, large employers, capitalists, lawyers, college professors——

The CHAIRMAN. Do you know the names of them? Can you give us a list of them?

Mr. HARRISON. I do not know whether I could name them all off.

The CHAIRMAN. I believe you have them here.

Mr. HARRISON. The list is there in that pamphlet, of course.

The CHAIRMAN. Just take the pamphlet, please, and give us the names.

Mr. HARRISON. Robert W. De Forest, chairman, New York. Other members of the committee: Jane Addams, Chicago; Ernest P. Bicknell, Washington; Robert S. Brewster, New York; Charles M. Cabot, Boston; O. K. Cushing, San Francisco; Edward T. Devine, New York; Arthur F. Estabrook, Boston; Lee K. Frankel, New York; James M. Glenn, New York; William Guggenheim, New York; William E. Harmon, New York; Joseph Lee, Boston; Julian W. Mack, Washington; Simon N. Patten, Philadelphia; Jacob A. Riis, New York; Graham Taylor, Chicago; S. W. Woodward, Washington; Frank Tucker, treasurer, New York; Paul U. Kellogg, secretary, New York.

The CHAIRMAN. Have you ever made a personal investigation of the labor conditions in any subsidiary of the United States Steel Corporation?

Mr. HARRISON. I investigated the handling of criminals in the State of Alabama, and it touched on the labor conditions in the Tennessee Coal & Iron Co., inasmuch as they hire some city and county convicts.

The CHAIRMAN. Under what auspices were you acting at that time?

Mr. HARRISON. Under the auspices of the Survey Magazine.

Mr. REED. Did you say that they "hired" convicts, or that they hire them now?

Mr. HARRISON. At the time I made my investigation they had in their employ State and county convicts.

Mr. REED. There has been a change in that situation, has there not?

Mr. HARRISON. I understand there has been. I have not got that from my own investigation, however.

The CHAIRMAN. What time were you down there, Mr. Harrison?

Mr. HARRISON. In May and June of last year.

The CHAIRMAN. What number of convicts were then in the employ of the Tennessee Coal & Iron Co.?

Mr. HARRISON. They, of course, vary almost from day to day, because as fast as men are convicted they are brought into the camp, and of course men are continually serving out their time and going away, but the average was about 360 State convicts and 240 county.

Mr. MCGILLICUDDY. Did the witness fix the time of this?

Mr. HARRISON. In May and June.

Mr. MCGILLICUDDY. Of last year?

Mr. HARRISON. Of last year, 1911; yes, sir.

The CHAIRMAN. How many of the convicts, county and State, were there who were employed in all the mines about at that time?

Mr. HARRISON. For the last five years the total number of convicts in the State, the average per year throughout the State, was about 2,500 State convicts and 700 county convicts. About 200 of these were men who were not able to work, mostly tubercular convicts, who were in the prion at Wetumpka, which is practically a tuberculosis camp, leaving 3,000, and, roughly, 1,500 of those were contracted out into the coal mines, which means they went into the Birmingham district, because that is where all the coal mines are located.

The CHAIRMAN. What per cent of this 1,500 who were utilized as miners did the Tennessee Coal & Iron Co. secure at the time you were there?

Mr. HARRISON. Three hundred and sixty and 240 makes 600; 600 would be 40 per cent of 1,500.

Mr. BEALL. Did the 1,500 represent the State and county convicts?

Mr. HARRISON. Together; yes.

Mr. BARTLETT. Let us understand right here what you mean by State convicts and county convicts.

Mr. HARRISON. The distinction is, at least it is supposed to be, that the State convict is a man who has committed a more serious crime than a county convict, a felony, whereas a county convict is a misdemeanant.

Mr. BARTLETT. The county convicts are those who are tried, probably in the inferior courts for misdemeanors or small grade felonies, and the State convicts are those who are tried in the courts having exclusive jurisdiction of felonies, or where people are convicted of felonies in the higher courts.

Mr. HARRISON. That is my impression. I am not certain of the legal side of the matter entirely. I know that the county convicts are men who are convicted of lesser crimes.

The CHAIRMAN. Of lesser crimes than a felony?

Mr. HARRISON. Of lesser crimes than a felony; yes.

Mr. BARTLETT. State convicts are those that are sentenced by the court to the penitentiary or to such public works as the superintendent

of the penitentiary or those having charge of it may direct, and the county convicts are those who are hired out—I suppose that is so in Alabama; it has been so in Georgia—by the county authorities, who are convicted and subjected to the payment of a fine or alternative imprisonment. Is that about right?

Mr. HARRISON. Yes.

Mr. BARTLETT. And in the first case the State gets the pay or the hire, and in the other it goes to the county authorities?

Mr. HARRISON. Yes.

The CHAIRMAN. Right at this point, speaking of the offenses for which these county convicts are sent up: It is an offense punishable by fine or imprisonment, is it not, to do such things as shooting or hunting or gaming or card playing, playing at cards or dominoes or racing, whether for money or not, on the Sabbath day. Those are offenses punishable by a fine of from $10 to $20 or imprisonment in the State of Alabama?

Mr. HARRISON. If you are reading the statement I made there?

The CHAIRMAN. Yes.

Mr. HARRISON. That is true. I have not all of that quite at my fingers' ends. That statement is true.

The CHAIRMAN (reading). Any person or persons who play or engage in the playing of any baseball, or foot ball, or tennis, or golf on Sunday in any public place where people resort for such purposes, is guilty of a misdemeanor and may be fined from $20 to $50?

Mr. HARRISON. That is true.

The CHAIRMAN. It is against the law to walk on the right of way of a railroad?

Mr. HARRISON. I understand that men have been arrested and sentenced to prison for doing that in the past, but that the authorities have been a little more lenient in the last year or two because of one very unfortunate incident where a small boy, or a young boy, had been arrested for trespassing on the railroad track, and sent up for 60 days; and he was sent to the mine. He knew nothing of mining, and nothing of its dangers, and he got in the way of a car and had his leg cut off, and was crippled for life for this very small offense. That has been, so I am told, more or less of a lesson, and they have been a little less strict in enforcing that law since.

Mr. BARTLETT. Do you mean that the misdemeanor convicts in Alabama, the county convicts, as you have designated them, were worked in the mines, Mr. Harrison?

Mr. HARRISON. I do.

The CHAIRMAN. There was an accident occurred in one of those mines a short time ago, was there not?

Mr. HARRISON. Yes; there was an explosion at the Banner Mine.

The CHAIRMAN. Was anybody hurt?

Mr. HARRISON. One hundred and twenty-three men were killed.

The CHAIRMAN. Were any of these the county convicts, sent up for these petty offenses, like playing golf on Sunday, walking on the railroad tracks, and so on?

Mr. HARRISON. I have a statement here of the percentage. Perhaps I might best read that paragraph:

Last April 123 negro convicts working in the Banner Mine, operated at that time by the Pratt Consolidated Coal Co., were instantly killed by an explosion. Seventy-two of the convicts were from Jefferson County, in which Birmingham is located; 21 out of

the 72, or 30 per cent, were convicted of offenses so minor that their sentences, aside from costs, did not exceed 20 days—mainly for carrying concealed weapons, gaming, assault, vagrancy, or violating the prohibition law. Five others were serving sentences of 30 days, and 1 man was within 3 days of his release when he was killed. Another had been convicted only 5 days before the explosion. One hundred and twenty-three persons in the custody of the State, without voice as to the nature of their work, lost their lives in serving their sentences.

Those were county convicts. That gives some indication of the type of the offenses.

Mr. BARTLETT. It is true that in a majority of these cases of what you call misdemeanor convicts, they are sentenced to pay a fine, or, in default thereof, to be punished as they are punished?

Mr. HARRISON. Yes.

Mr. BARTLETT. The fine is imposed, and in default of that they must work it out?

Mr. HARRISON. They must work it out; yes.

Mr. BARTLETT. In the mines, according to the law of Alabama?

Mr. HARRISON. Yes. You understand that not all men are sent to the mines, however?

Mr. BARTLETT. That is what I am trying to get at.

Mr. HARRISON. No. I say that 50 per cent of the convicts are sent to the coal mines, and that some of them are sent to the turpentine camps. The State has a farm where it has a couple of hundred, and they have a stove factory where some of them are employed.

Mr. BARTLETT. The same conditions exist in the District of Columbia here to-day. The misdemeanor convicts, convicted in the police court—this came out in an investigation before the Appropriation Committee, upon a question asked by myself—the misdemeanor convicts in the police court of the District of Columbia, whether convicted of violating the ordinances of the city of Washington—for drunkenness, disorderly conduct, or any minor offense—are sent down to the same prison and work together with the same prisoners who are convicted in the District of Columbia court for felonies. That is so in this District, right in the shadow of the Capitol.

The CHAIRMAN. They ought to start a whipping post in this District.

Mr. BARTLETT. I just called attention to that, that that is so right in this District.

Mr. YOUNG. The gentleman who wanted to start the whipping post is no longer a Member of Congress. [Laughter.]

Mr. BARTLETT. I do not know whether there are any special conditions that exist here, but it is a fact that that is done in the District of Columbia to-day.

Mr. HARRISON. I see.

The CHAIRMAN. How are these convicts sent up for misdemeanors procured? In what way are they obtained? How does the Tennessee Coal & Iron Co. and these other companies get hold of them? That is what I want to know.

Mr. HARRISON. The contracts are advertised, and the companies bid for them. They are let to the highest bidder.

The CHAIRMAN. These people are just put up and sold to the highest bidder?

Mr. HARRISON. They contract for the convicts for a certain length of time, and they take all that the county has; that is, of course, they keep coming as fast as they are convicted.

The CHAIRMAN. They agree, in advance, to take the supply, whatever it may be?

Mr. HARRISON. They do.

The CHAIRMAN. No matter what they are convicted for, how long or how short the term, if they have any term of imprisonment, they take them and work out that term, is that it?

Mr. HARRISON. Yes.

The CHAIRMAN. Whether they are old or young, black or white, convicted of a felony or anything else?

Mr. HARRISON. Yes.

The CHAIRMAN. How do they get these people into these mining camps? Does the State or the county send them there, or do they get them?

Mr. HARRISON. The State brings the State convicts, and mining camps—the companies—send a man to the county seat where a man is convicted, and bear the expense of the man, of course, that they send, and the convicts to the camp, and upon his release they send him back to his county seat, bearing the expense, and sending a man with him.

The CHAIRMAN. After these people are procured and gotten into these camps, how are they retained there?

Mr. HARRISON. Of course they have a prison, something, at least, that is called a prison, with a wall around it. The men are kept in prison when they are not at work. When they are at work, they are in the mines, where the guarding is very easy, and escape is rather difficult there.

The CHAIRMAN. How do they get work out of these convicts? Do they keep them in there for so many hours?

Mr. HARRISON. The State officials divide the convicts into four classes, based on their physical condition. The men in the first class, who are supposed to be the most physically able, are given a certain task to perform daily, and the men in the second class a different task, and in the third class a less task, and in the fourth class less than that. The tasks vary from mine to mine, because of differences in the thickness of coal seams, the hardness of the coal, and they vary also as to whether the coal is mined by machine or whether it is pick-mined coal; but it may be said that, in general, throughout the districts a man in the first class is tasked 8 tons of machine-mined coal or 4 tons of pick-mined coal per day.

The CHAIRMAN. What is a good day's work for a skilled miner of experience?

Mr. YOUNG. If the gentleman is an expert in the business.

The CHAIRMAN. Do you know about how many tons an experienced miner gets out?

Mr. HARRISON. I could not give an expert opinion on that. I could say this, however——

Mr. GARDNER. What is your guess?

Mr. HARRISON. I should say 8 tons was not above the average of an ordinary average man's work.

The CHAIRMAN. For an experienced miner?

Mr. HARRISON. For an experienced miner.

Mr. GARDNER. Is 8 tons about what an average day's work is, at a guess?

Mr. HARRISON. I should say, on a guess, it is a little more than that.

Mr. REED. I think, in fairness to the corporation, I should repeat the statement made at the last hearing, that the contract of the Tennessee Coal & Iron Co. with the State of Alabama for convict labor has expired and no State convicts are now employed by the Tennessee Co.

The CHAIRMAN. I will state that I am going into that very thing and bring those people up here, and those contracts, and introduce them in evidence and show just exactly what was done.

The present conditions will be shown, coming right down to the very minute, what convicts were retained and what were not, and how it happened and all about it. I will have the people here.

Mr. REED. I understand that the committee has decided that this matter is within the scope of the inquiry and there is no use of my objecting any further about it.

The CHAIRMAN. What do they pay for these convicts, county and State?

Mr. HARRISON. The State convicts are paid more or less on a piece basis. I mean to say that the companies pay by the month for men in the different task groups. The average comes somewhere near the common labor rate for State convicts.

The CHAIRMAN. Do you know what they pay for State convicts? Those guilty of a felony?

Mr. HARRISON. I know what the Tennessee Co. pays.

The CHAIRMAN. What does the Tennessee Co. pay?

Mr. HARRISON. The Tennessee Co. made a contract several years ago in which it agreed to pay $46 per month per man in the first class, and there was a gradual lowering of the rate down to a man in the fourth class for which it paid $10.50. They also, at the same time, agreed to a sliding scale in practice which would slide upward and not downward; that is, any increases in the wage paid to free labor in the district would cause a proportionate raise of payment for the convicts; and since this contract went into effect there have been increases in the free labor in the district which have brought the payment for men in the first class from $46 to $50.70 per month, for men in the fourth class to $11.57.

The CHAIRMAN. What do they pay a month for these county convicts, the young fellows?

Mr. HARRISON. They vary between different companies, but the average was estimated to me by the president of the Alabama Coal Operators' Association as $12.50 per man per month; I should say per person per month, as that includes men, women, and youths.

The CHAIRMAN. Do they feed these county convicts? Does the company do it, or does the State do it?

Mr. HARRISON. The company does.

The CHAIRMAN. Do you know what it costs to feed those convicts per day?

Mr. HARRISON. I do not know.

The CHAIRMAN. Do you know about what it costs?

Mr. HARRISON. I know what it costs to feed the men in the county jails before they are sent to the camps. That cost runs from 7 to 10 cents, depending upon the number of men.

Mr. BARTLETT. Per day?

Mr. HARRISON. Per day, depending upon the number of men. I should say that the convicts in the camps are fed better than that My guess would be—if you care for a guess?

The CHAIRMAN. An estimate.

Mr. HARRISON. About 15 cents a day.

The CHAIRMAN. About 15 cents a day to feed them?

Mr. HARRISON. Yes.

Mr. BARTLETT. You mean that is the actual cost of food, not taking into account the cost of——

Mr. HARRISON (interposing). Preparing it and that sort of thing?

Mr. BARTLETT. Yes.

Mr. HARRISON. That is what I mean.

Mr. BARTLETT. Not including any overhead charges?

Mr. HARRISON. That is only for the food.

Mr. BARTLETT. Only for the food?

Mr. HARRISON. Yes. There are other charges, of course.

Mr. MCGILLICUDDY. Who provides the lodging?

Mr. HARRISON. The company.

The CHAIRMAN. I was going to take that up.

They are also provided with lodging?

Mr. HARRISON. By the companies—the company owns the prison.

The CHAIRMAN. What sort of lodging do they get? How are they housed, bedded, and so on? Just describe those places in which they keep them at night.

Mr. HARRISON. The prison consists, usually, of a frame building.

Mr. BARTLETT. Is this the Steel Corporation that he is talking about?

The CHAIRMAN. Yes; this is the Tennessee Coal & Iron Co., alone, that I am talking about.

Mr. YOUNG. I understood the witness to be talking about conditions generally, there. Is not that correct, Mr. Harrison?

Mr. HARRISON. I was talking with regard to the food—about conditions in general; yes.

Mr. YOUNG. Yes.

Mr. HARRISON. You understand I did not go down there to investigate the Steel Corporation convict system as a system. I investigated the whole system of handling criminals in Alabama.

The CHAIRMAN. Did you see the food as it was prepared in the kitchens or anywhere, of the Steel Corporation?

Mr. HARRISON. I saw food that was being prepared in the prison at mine No. 12 of the Tennessee Co. That prison, however, housed the State convicts that were employed by the Tennessee Co. I was told there by the men who were preparing the food what was the customary daily ration.

The CHAIRMAN. For both county and State convicts?

Mr. HARRISON. Yes.

The CHAIRMAN. Tell me about how they are housed in the barracks or prison, or whatever you choose to call it, of the Tennessee Coal & Iron Co. there in Alabama; how these convicts are provided for, at night.

Mr. HARRISON. They are housed in prisons, as I say, which are made up of large cells; they call them cells; they are really large rooms, which accommodate from 30 to 60 men. The sanitary conditions in those that I saw were good. The beds were double beds, two men sleeping in a bed.

The CHAIRMAN. How many men in a bed?

Mr. HARRISON. Two or three.

The CHAIRMAN. How are these beds made? What do they consist of? Are they oak bedsteads, or brass bedsteads, or what kind of bedsteads do they sleep in?

Mr. HARRISON. They are rather simple bedsteads. I do not think they are oak. I think they have a pine framework, with some kind of strapping underneath, ropes and canvas.

Mr. BARTLETT. Bed cords?

Mr. HARRISON. Yes; with a tick and blanket and pillow.

The CHAIRMAN. What is in the tick?

Mr. HARRISON. I can only say that my impression is that it is straw. I did not open any of them.

The CHAIRMAN. A straw tick on a frame, with ropes that run across the bottom and anchored to the top of the ceiling with an iron bar; is that it?

Mr. HARRISON. That is the case in the prison at No. 12. I can not say as to the others.

Mr. BARTLETT. Have you been in any other prison than these and examined prison conditions at other places?

Mr. HARRISON. I had an assistant cooperating with me.

Mr. BARTLETT. I do not mean only in Alabama, but elsewhere.

Mr. HARRISON. In prisons?

Mr. BARTLETT. Yes.

Mr. HARRISON. No; I have been in jails, but not in prisons. I have been in county jails, but not in State prisons.

Mr. BARTLETT. This sleeping place and the arrangement about the bed—its being capable of being taken out of the way and the room cleaned up—is the usual way in which they have beds in prisons, is it not?

Mr. HARRISON. It is not the approved way. I should hardly say it is the usual way.

Of course, experts in prison work claim that you should not house more than one man in a cell, especially where the convicts are a mixed lot, as they are in Alabama; that is, for instance, you have men who have trespassed upon the railroad properties housed with men who have committed more serious crimes, men who may be approaching the stage of habitual offenders, so that your more or less small offenders are brought into direct contact with the more serious offenders, and you have, instead of a school of reform, a school for crime.

Mr. BARTLETT. I agree with you, doubtless, in the view you entertain on that, that that is objectionable and ought to be remedied; and we have remedied it in my State—the putting together, confining together, of persons, even of men convicted of small offenses, who are unable to pay fines, with men who are convicted of felonies or who may be hardened criminals. That is a matter that should be remedied by the authorities that have a right to remedy it.

Mr. REED. I doubt if it can be remedied by Congress or through the Sherman law.

Mr. BARTLETT. I have no question that it can not be remedied by Congress in those jurisdictions over which Congress has no authority.

The CHAIRMAN. All Congress can do is to investigate the great interstate corporations who benefit by such conditions or encourage them by utilizing the labor provided in that way.

Mr. BARTLETT. I do not see how Congress can pass a law to prevent that.

Mr. REED. I quite agree with the chairman that the ability of Congress to investigate is unlimited.

Mr. YOUNG. It may be greater than its authority, however.

Mr. REED. Its inclination seems to be a little ahead of its power.

Mr. GARDNER. What proportion of the convicts are colored and what proportion are white?

Mr. HARRISON. A little over 80 per cent are colored.

Mr. GARDNER. Are the white men shut into the same cells with negroes?

Mr. HARRISON. No, sir. The white men and the negroes are in different cells.

Mr. GARDNER. That arrangement must provide quite a revenue to the State, does it not?

Mr. HARRISON. In the last few years the net revenue to the State of Alabama from State convicts has been about $400,000 a year, and for the county convicts $100,000.

Mr. GARDNER. You mean that is the net profit?

Mr. BARTLETT. It is all net, as I understand it. The hirers of these convicts pay so much to the State, and take the chances of escapes and everything like that.

Mr. HARRISON. It is not all net, I beg your pardon, in the case of the State.

Mr. BARTLETT. Of course the State has to have wardens and other officials, and that expense comes out, but the employer, as I understand, of these convicts pays to the State a lump sum for each convict?

Mr. HARRISON. Yes.

Mr. BARTLETT. And they take him with all the hazards?

Mr. HARRISON. That is the case with the county, but not with the State. The State feeds its own prisoners. It takes them to the prison and back again, so that those expenses must come out.

Mr. GARDNER. And it furnishes the prison house?

Mr. HARRISON. It does not furnish the prison house. At least it does not in some cases. I do not know whether it does in all. For instance, the Tennessee Co. owns the prison which houses the State convicts, and that is an additional payment that the Tennessee Co. makes for its labor. I mean to say, if you are going to ascertain all the costs of the company for its State convict labor, the interest on that investment and the wear and tear of the buildings should be figured in, of course.

Mr. MCGILLCUDDY. What hours per day do these convicts labor?

Mr. HARRISON. It is on a task basis rather than on an hour basis. I mean to say a man must get out eight tons of coal, if he is in the first class, regardless of the time it takes. It usually, I should say, takes about the same length of time as free labor in the district, which is more or less on a 10-hour basis in the coal mines.

Mr. STERLING. If he fails or refuses to perform the task, what is done? Is he punished?

Mr. HARRISON. There are three methods of keeping the men up to their tasks:

If he fails to get out his required task and does not have a sufficient excuse, he can be strapped, flogged.

If he persistently fails, and that kind of treatment does not correct his failures, he can be put in solitary confinement for 30 days on a bread-and-water diet, providing that after the third day the State

physician examines him and decides that his physical condition would permit of that kind of treatment.

The third method is of course the better one of the three. A bonus is offered, or a payment to the convicts for coal mined above their required task.

In the camps of State convicts the bonus is approximately the free-labor rate. In the camps of the county convicts it is about half the free-labor rate.

Mr. STERLING. Do some of them make money out of that?

Mr. HARRISON. And some of them, by reason of that method, draw something for their extra work.

The CHAIRMAN. What sort of a delicate instrument do they use for the flogging—a peach-tree switch, or something like that?

Mr. HARRISON. I saw one strap which was made out of leather about 5 feet long, three-ply leather, and had a wooden handle on it.

The CHAIRMAN. Three-ply? Three different thicknesses of leather? That is what would make a good tug for a wagon harness?

Mr. HARRISON. It much resembles a tug.

The CHAIRMAN. Did you ever see anybody that had been flogged with an instrument like that in the Tennessee Coal & Iron Co.'s employ or service?

Mr. HARRISON. It happened that the day that I visited the prison where the State convicts were kept which were employed by the Tennessee Co. I saw a man who had been flogged a day or two before. I think it was more or less of a coincidence, because he did not know who I was or why I was there; but he saw I was a stranger, and he had a grievance, and he pulled off his shirt and showed me his back in the presence of the dog warden, who was taking me around.

The CHAIRMAN. The dog warden?

Mr. REED. Why did they select the dog warden for you?

Mr. DANFORTH. What was the man's condition?

Mr. HARRISON. His back was black and blue from strappings. The flesh was not cut open. He told me that he had been badly enough treated so that the prison physician had treated his back, and his back showed where adhesive tape had been torn off. He evidently had had that on.

Mr. DANFORTH. Are the State prisone s confined with county prisoners, or are they kept in separate buildings?

Mr. HARRISON. In separate buildings, in general.

Mr. DANFORTH. So that the classes of convicts that are put into the same rooms, in these double beds, are still separated by the State and county divisions?

Mr. HARRISON. Yes; they have that much discrimination.

Mr. DANFORTH. They use the double beds in one prison with the prisoners who have been convicted of felonies and the county prisoners occupy the double beds in the other?

Mr. HARRISON. Yes.

Mr. GARDNER. How is discipline maintained in the road camps where the county is building roads, for instance?

Mr. HARRISON. I can not say as to that.

Mr. YOUNG. You did not investigate that at all?

Mr. HARRISON. They have no road building in Alabama by convicts.

Mr. GARDNER. They have no chain gang in Alabama?

Mr. HARRISON. They have a chain gang in Alabama, but it is composed of city prisoners, such as the Birmingham prisoners.

Mr. GARDNER. They are just engaged in cleaning the streets?

Mr. HARRISON. Yes.

Mr. GARDNER. I wondered how that was in other States. There is a chain gang in South Carolina always on the roads. I have seen them.

Mr. BARTLETT. Yes. Georgia works the convicts on the roads—a certain class of convicts; but it has a prison farm, to which it sends them, also.

Mr. GARDNER. Do they flog them there?

Mr. HARRISON. They have; yes.

Mr. DANFORTH. I understood you to state the State has its wardens and guards there, who have charge of these men, or supervision of the State prisoners?

Mr. HARRISON. Of the State prisoners; yes, sir.

Mr. DANFORTH. And the same with the county prisoners? Do they have their own county officials?

Mr. HARRISON. The wardens and guards of the county convicts are employees of the company, but approved by the State Board of Convict Inspectors.

The CHAIRMAN. So that the Tennessee Coal & Iron Co. whips its own convicts whenever it is necessary?

Mr. HARRISON. As I say, the warden who does the whipping is an employee of the company.

The CHAIRMAN. And responsible to the company; that is, he can be discharged by the company?

Mr. HARRISON. Yes; that is my understanding; but on the other hand——

The CHAIRMAN. Does the State pay this warden who flogs these creatures, taken up for playing golf on Sunday and playing dominoes on Sunday and walking on the right of way of a railroad track on Sunday and other heinous crimes like that? Does the State pay anything for having those people flogged by the Tennessee Coal & Iron Co., or does it do that gratis, when it is necessary?

Mr. BARTLETT. He has not said that a misdemeanor convict was flogged.

The CHAIRMAN. Are they flogged?

Mr. HARRISON. Misdemeanor convicts hired out into the mines, who refuse to do their work, and who are adjudged able to work are flogged.

Mr. REED. The witness was about to say something when the chairman put the last question. What was that, when you said, "But, on the other hand"?

Mr. HARRISON. I can not remember now.

Mr. REED. Speaking of the flogging of the Tennessee Coal & Iron Co.'s employees.

Mr. GARDNER. It was with reference to who did the flogging.

Mr. HARRISON. I think what I was going to say was with reference to the company being able to discharge the warden. I was going to say that, on the other hand, I think the State officials could insist on the discharge of a man, inasmuch as he must be approved by the convict board. I should imagine if he were flagrantly bad in his

administration of the camp, according to the standard set up by the convict bureau they could insist on his discharge.

The CHAIRMAN. Who would decide that he was flagrantly bad? Is he under anybody else's eye except that of the convicts he flogs and his employer from whom he does the flogging?

Mr. HARRISON. The county convicts are supposed to be under the inspection of the State board of convict inspection, in the same way that the State convicts are, and the State physician is required to make a tour, and comes once a month to task the men. I mean they are retasked every month. So that I should imagine that flagrant abuses would come under his notice at those times.

The CHAIRMAN. You say one man that had been severely flogged. What was his physical condition? Was he sick or well, to all appearances?

Mr. HARRISON. He claimed that he was sick.

The CHAIRMAN. How did he look?

Mr. HARRISON. He looked to me as though he might be sick. He did not look like a well man—that is, a strong man—to me. He had just come from the mines and had just washed up; but he was tired and that may have made him look less strong than otherwise.

Mr. GARDNER. Was he a black man or a white man?

Mr. HARRISON. He was a white man. He was thin chested and and hollow eyed.

Mr. BARTLETT. Have you ever examined the law of the State of Alabama in reference to policing convicts and the provisions for their proper feeding, and everything like that—the statute under which these things are supposed to be done?

Mr. HARRISON. I have; some of them.

Mr. BARTLETT. Do you know whether or not it is followed? I will read it to you. The law provides for a board of inspectors. I read from the Alabama statutes:

> The board of inspectors shall adopt such rules, to be approved by the governor, as are necessary to prevent inhumane treatment or cruel or excessive punishment of State and county convicts, and also to regulate the time and amount of work to be performed by them and the manner of working them.

Had you examined that law?

Mr. HARRISON. I have, and I understand that is still in force.

Mr. BARTLETT. Another section of the law reads:

> It shall be the duty of the president and of the inspectors——

That is, the president of the penitentiary?

Mr. HARRISON. That refers to the State board of convict inspectors.

Mr. BARTLETT (reading):

> It shall be the duty of the president and of the inspectors to report all violations of the law in regard to convicts that may come to their knowledge to the proper solicitor; and all indictments for the same shall be tried in the circuit court or court of like jurisdiction of the county where the offense was committed.

Then it is not so much the fault of the law, if there is any inhumane treatment or punishment, as it is the act of the person having charge of the convicts, that this punishment was unusual or severe or cruel.

Mr. HARRISON. That would be my opinion; yes.

Mr. GARDNER. It depends somewhat on the interpretation of the word "cruelty" and the word "severity," does it not?

Mr. HARRISON. Yes.

Mr. BARTLETT. Would you regard that case to which you referred as a case of excessive punishment or cruel punishment?

Mr. HARRISON. Yes; I did, in that case. Of course, I did not know all of the subsidiary facts. For instance, I do not know but what he might have been a very stubborn man, and have persistently irritated the warden, and that he may have had some personal grievance.

Mr. BARTLETT. That would be a cruel punishment, even if that were the fact, would it not?

Mr. HARRISON. That would not affect the cruelty of it, of course.

Mr. BARTLETT. The punishment provided against by the statute does not regulate the excessiveness of the punishment by the character of the offense, I apprehend, when it comes to lashing or flogging a man. It says it shall not be cruel or excessive. Did you make any suggestion to any officer in regard to this case?

Mr. HARRISON. In regard to the case to which I have referred?

Mr. BARTLETT. Yes.

Mr. HARRISON. I went to the hospital and asked the hospital physician there about this fellow. I said that I had seen his back, and it seemed to me that he had been whipped too hard. I said:

Further, he tells me he is sick.

And I said:

What is the fact?

The physician said:

He has been telling us that every morning, and we have been examining him carefully, and we have not been able to diagnose any sickness in him—anything that is sufficient to keep him from doing his regular task.

He said also that the man had done some things that they considered worthy of severe punishment. For instance, one thing that he had done, he claimed that his coffee was never hot when it was served to him in the building, in the dining room, and one day he built a fire in the mine to heat his coffee on.

Mr. YOUNG. In the coal mine?

Mr. HARRISON. Yes; and of course a fire in a coal mine is a very dangerous thing. For that reason they felt that he deserved all he got.

Mr. GARDNER. Was this doctor a State official or an official of the company, with whom you conversed?

Mr. HARRISON. He was a State official. This is the State prisoners that I am speaking of.

Mr. GARDNER. I understand.

Mr. YOUNG. Then, this man was flogged by the State authorities?

Mr. HARRISON. By the State warden.

Mr. YOUNG. Oh, yes. Did you personally know of any case where these county prisoners were flogged?

Mr. HARRISON. No. I saw no county convicts that were flogged. I heard tales of men who were flogged—county convicts.

Mr. YOUNG. Did you run those down to ascertain whether they were true or not?

Mr. HARRISON. I attempted to run one down, and one that had come to the notice of the court. A man by the name of Ford, who

had been flogged and who later died—a county convict. The relatives of Ford brought suit against the company and lost the suit. Then, I believe, they brought suit against the warden himself and lost that. I went to the courthouse to get the record.

Mr. YOUNG. Who was the warden; a company officer?

Mr. HARRISON. In that case; yes.

The CHAIRMAN. Of what company?

Mr. HARRISON. This was the Tennessee Co. before it was a part of the Steel Corporation.

Mr. BARTLETT. The law provides on that—I read from the Alabama law:

Each prison or camp shall be under the control of a warden, and such other persons as may be necessary, who shall be employed and paid by the contractor, and may be discharged at any time by the president of the board; but no person shall be employed to guard or control convicts without a license from the president of the board to act in such capacity.

So that these wardens, while they are employed and paid by the Steel Corporation, or by those who operate the convicts, have to take those who are licensed by the State board, and they have to take those whom the State board approves. That is true?

Mr. HARRISON. Yes; that is the statement I made previously, I believe.

Mr. MCGILLICUDDY. Who is to judge about the flogging; one of the officers of the State, or of the company?

Mr. HARRISON. You mean, who is to be the judge of the necessity for it?

Mr. MCGILLICUDDY. Who would pass judgment on a man as to whether he had offended so as to deserve flogging?

Mr. HARRISON. I believe the system is that one of the company men keeps a record of the amount of coal that each man gets out in a day, and of course he knows what the requirement is for each man.

Mr. MCGILLICUDDY. Who has the power to order the flogging in any given case?

Mr. HARRISON. This report is made to the warden. It is in the warden's discretion.

Mr. MCGILLICUDDY. And he is a State official, under this law, I believe?

Mr. HARRISON. He is a State official in the sense that he is approved and licensed by the State board, but not paid by the State.

Mr. YOUNG. That is, as to the county prisoners?

Mr. HARRISON. As to the county prisoners; yes.

Mr. GARDNER. Who decides the adequacy of the excuse of which you spoke a little while ago?

Mr. HARRISON. If the excuse is based on physical condition, the physician at the convict camp would decide on that.

Mr. BARTLETT. I think I could, by reading this act, throw light on it, if you would like to hear it, Mr. Gardner?

Mr. GARDNER. I should like very much to hear it.

Mr. YOUNG. I think it might be well to put the whole act in the record.

Mr. BARTLETT. Yes; I will put the material parts of it in.

No convict must be punished in any other way than is provided by the board of inspectors.

Mr. YOUNG. I am very anxious to hear those provisions of the law of Alabama.

Mr. BARTLETT (reading):

Corporal punishment of convicts; record of same kept.

No cruel or excessive punishment shall be inflicted on any convict, and no corporal punishment of any kind shall be inflicted except as it shall have been previously prescribed by the rules of the board of inspectors and of which the convict shall have been notified, and such punishment shall be inflicted only by the party authorized by the president of the board of inspectors to inflict it. The person authorized by the president of the board of inspectors to inflict punishment shall keep a well-bound book, to be known as the Record of punishments, in which he shall record all punishments of whatever character inflicted on convicts, giving the name of the convict punished, offense, date, character, and exact extent or quantity of punishment; and it shall be the duty of the president of the board to carefully examine this record at least once in each month. Any false entry in such record, or any failure to make entry therein as required by this section, is a misdemeanor.

That is from the Alabama law.

Mr. YOUNG. You have not the rules that have been adopted by the inspectors there?

Mr. HARRISON. I have them.

Mr. BARTLETT. They would not be in the statute, of course?

Mr. YOUNG. No; I suppose not, unless they were put in as an appendix, or something of that kind.

Mr. BEALL. It is all very beautiful in theory, but I dare say there are 10 men punished where there is a record kept of 1.

The CHAIRMAN. Are these men whipped on the bare back? Tell how they whip them.

Mr. HARRISON. They are whipped over one garment on their backs.

The CHAIRMAN. How do they fasten them? Are they placed on the ground, or up against a post, or what is done in that regard?

Mr. HARRISON. The man lies down. Usually he is whipped inside the prison and lies down on the floor.

The CHAIRMAN. Flat on his face?

Mr. HARRISON. Yes.

The CHAIRMAN. He is then flogged with a thong as big as a wagon tug or trace, composed of three plies of hard leather 5 feet long, fastened to a wooden handle?

Mr. YOUNG. The witness did not use that reference to a tug.

Mr. BARTLETT. He said it was three-ply leather.

The CHAIRMAN. How does it compare with the ordinary leather trace used in harness where horses are pulling a heavy wagon?

Mr. HARRISON. I said it looked to me a good deal like a tug. It is not quite as long.

Mr. BARTLETT. It is broader?

Mr. HARRISON. It is a little broader than a tug.

Mr. DANFORTH. Did you see this done at all?

Mr. HARRISON. No; I saw the instrument.

Mr. DANFORTH. Where did you get your information as to how it was done?

Mr. HARRISON. I saw the man who had been flogged and he told me.

Mr. DANFORTH. He told you about it?

Mr. HARRISON. Yes.

Mr. BARTLETT. Did you ever see one of these instruments of punishment?

Mr. HARRISON. Yes; I saw one of them.

The CHAIRMAN. How many licks are they allowed to strike these convicts?

Mr. HARRISON. Fifteen.

Mr. YOUNG. Is there any requirement as to a physician being present, or something like that, when the punishment is inflicted?

Mr. HARRISON. In cases where more than 15 strokes are inflicted the whipping must be done in the presence of the State physician or some representative of his.

Mr. GARDNER. What is your own idea about the question of whether this requirement is kept as to these regulations in a leather-bound book of punishments, of whatever nature, as to whether those records are accurately kept?

Mr. HARRISON. You ask me for my own impression?

Mr. GARDNER. I am speaking in general; and in regard to the Tennessee Coal & Iron Co. in particular.

Mr. YOUNG. Perhaps the witness knows nothing about it. If he does know, let us hear it.

Mr. GARDNER. I would like his impression.

Mr. HARRISON. My impression is that in a case of State convicts the treatment is better than in the case of county convicts. I mean to say that State wardens usually feel a greater responsibility for——

Mr. GARDNER. I am speaking about the keeping of the records.

Mr. HARRISON. Oh. The keeping of the records?

Mr. GARDNER. Yes. Mr. Beall seemed to think that probably there are a good many more punishments inflicted than actually are inscribed in the leather-bound book of which Mr. Bartlett read in the statutes of Alabama. Did you hear that complaint made—that the record was not kept accurately?

Mr. HARRISON. No, I did not hear that. I saw, in Montgomery, at the headquarters of the State convict inspectors, reports that had come into the board from the different camps showing men who had been punished and the number of strokes inflicted. Some of those reports were rather lengthy, so my impression would be that the reporting was looked after fairly well.

Mr. BEALL. I made that suggestion because in my own State, where the same deplorable system has prevailed, they had an investigation of the penitentiary system about two years ago and it disclosed a most horrible condition of affairs, where the guards would have those prisoners thrown down, and a convict put on his head and another one on his feet, and they would be punished in a most brutal manner.

Mr. GARDNER. You are speaking of convict contract laborers?

Mr. BEALL. Yes. I dare say no evidence of any of those punishments ever went into the records at all.

Mr. GARDNER. I should think that the Tennessee Coal & Iron Co. would be particularly careful to keep their records accurately. I mean to say, more so than corporations which would be less likely to be under fire.

Mr. BEALL. That may be. I hope it is true. I do not think the Tennessee Coal & Iron Co. is the only offender.

Mr. BARTLETT. Do you know the record had to be kept under the law?

Mr. HARRISON. I just made the statement that I saw, in Montgomery, reports that had come in from the different camps showing the punishments. Of course I do not know how full those reports were; that is, whether they gave all the cases. I know that reports are made.

Mr. BARTLETT. All systems of this sort that can be devised are liable not to be carried out properly at times, I suppose. You have to have human agency.

Mr. HARRISON. Yes. Of course I think there are some very flagrant wrongs or failures in this system, as a prison system.

Mr. BARTLETT. So far as I am concerned, I have no hesitancy in saying that I think the hiring-out system, as applied to convicts, is an abominable system.

Mr. GARDNER. I do not think there is very much difference among the members of this committee as to the system itself.

Mr. REED. I think we will agree as to that with the committee; and we are getting out of it just as quickly as we can.

The CHAIRMAN. When you talk to me about whipping a man with a 5-foot thong like that, giving him 15 lashes on his back at the hands of an able-bodied man, and then go into a discussion as to whether or not it is brutal, in my mind it is like speaking of the kindly use of the thumbscrew or the boot. It is impossible that a man should be beaten and bruised with such an inhuman thing as that without shocking the sensibilities of every man who has any feeling for his fellow man.

Mr. YOUNG. It seems to me the thing that is most open to criticism in this system is that the punishments, under certain circumstances, are in the hands of men employed and paid by some one who might have a money interest.

Mr. HARRISON. That is true.

Mr. YOUNG. There is always a chance for abuse in such a situation. But it is also true that among the criminals in the State prison there are some characters that it is almost impossible to manage, and that if they are not made to obey the whole prison discipline is thrown into disorder. We ought to take every care we can that men who inflict punishment should have no interest but the good government of the prison; but I can conceive that you will never have an effective prison system that does not maintain the opportunity for some physical punishment at times.

The CHAIRMAN. That is far away from the question we are investigating; but prisons are controlled without that. There is a prison in Colorado, there are many Federal prisons, which the highest authorities agree are maintained in perfect order, where there is absolutely no semblance of corporal punishment. The use of a lash upon a human back, whether in the days of slavery or now, is, in my opinion, an utter abomination and absolutely unnecessary. There are thousands of ways in which a man can be punished, such as solitary confinement——

Mr. YOUNG. Which is a great deal worse; and this law regards it as worse.

The CHAIRMAN. There are innumerable other ways by which a man can be punished rather than by the humiliation and brutality of cutting his back into ribbons.

Mr. HARRISON. There is a distinction to be drawn between corporal punishment. For instance, between disciplining a man and forcing him to work. If punishment is done purely with the end in view of disciplining the man, with the hope of sooner or later rehabilitating him and putting him on his feet and being able to send him back into society not as a danger to society, that is one thing; but when you tie up discipline with economic motives, in other words, when a man who has charge of the disciplining would naturally be the man who would want to get out coal, I say you are tying it up with economic motives; and we know that in free labor, where a man has control over another man, sweaters and drivers are developed, and it would be only natural to expect that as much would develop among these wardens who have convicts in their hands.

Mr. BARTLETT. Coming back to the other matter: Do you not think that the Alabama law, which provides for the control and hiring out of convicts, the section which I read you, makes pretty ample provision for protecting the convicts? I am not speaking about the way in which it is carried out. All the laws, sometimes, or frequently, are defectively carried out. Do you not think, however, not with regard to the policy or propriety of the system of hiring out convicts—I do not ask you to approve that, because I do not approve it myself—do you not think that the Alabama Legislature has provided in the act machinery which indicated that it was their intention to try to protect convicts from excessive or inhuman treatment?

Mr. HARRISON. I think that is true; yes.

Mr. BARTLETT. And if there have been cases like the one you have stated, or other cases which you may not have had called to your attention, where the law has not been carried out as intended, that s the fault not of the law but of the administration of it in the hands of men?

Mr. HARRISON. Yes. I should say, as you have indicated, that the law is fairly ample for the protection against abuses in punishment, but that the administration of the law is such that it makes it hard, or rather the system is such, through hiring them out, and so forth, that it is hard to administer that law.

Mr. DANFORTH. Your objection goes to a State having such a law, then, of hiring out convict labor?

Mr. HARRISON. Yes. The great bulk of my criticism has been against the State of Alabama; against the system.

Of course, I think this: That all companies, whether the Steel Corporation or any other company who profit by it, are, in a measure, chargeable with some of the faults of the system.

Mr. DANFORTH. How are they chargeable? How do you deem them responsible?

Mr. HARRISON. In the first place, I say the State of Alabama is responsible for the system. In the second place, companies that profit by the system are coresponsible.

Mr. BARTLETT. That is the moral side of it?

Mr. HARRISON. Yes; it is not a legal responsibility, necessarily.

Mr. DANFORTH. They are morally responsible for employing the State labor?

Mr. HARRISON. Yes; and their employment of this convict labor approves the system, as it seems to me. If I were in the district and opposed to that system, it does not seem to me that I should employ convicts.

Mr. DANFORTH. Do you know anything about the way that these State prisoners are confined in the State prisons proper? Do you know what the accommodations are for them, whether they have double beds in the cell or two men are confined in one cell or not?

Mr. HARRISON. Practically the only State prison proper in the State of Alabama is the one at Wetumpka, which is now, as I said, practically a tuberculosis camp. I went through that prison and there were double beds there, in the older part of the prison. The newer parts, where the men who are suffering more severely from tuberculosis were, they were in single beds.

Mr. DANFORTH. But in the other part, where they were not in the last stages of the disease, they were in double beds?

Mr. HARRISON. Yes.

Mr. DANFORTH. So that, in that respect, these camp prisons did not differ from the prison that was maintained by the State?

Mr. HARRISON. That is correct.

Mr. DANFORTH. You say they did not differ?

Mr. HARRISON. They did not differ. I should say this, that in some of the convict camps the accommodations were better than the State accommodations.

Mr. DANFORTH. I think you stated that the food was better than it was in the State prison maintained by the State?

Mr. HARRISON. No; I did not make that statement.

Mr. DANFORTH. I understood you to say that it cost more per man per day, which led me, perhaps, to infer that it was better.

Mr. HARRISON. No; what I said was that I knew what the cost of food was in the county jails; that it ran from 7 to 10 cents per day where the number of men was over 50; that my impression was that in the State prison camps and in the county prison camps, as distinct from county jails where men were held who were not convicted, the food was better.

Mr. DANFORTH. Better than in the prison maintained by the county?

Mr. HARRISON. Yes; for men who were not yet convicted.

Mr. BEALL. The average cost of maintenance in the Federal penitentiaries is about 11 cents per day.

Mr. BARTLETT. This convict that complained of this treatment to you complained that he was sick. I will read you what the Alabama statute on that subject is:

> Physically disabled convict must not be hired; removal from work injurious to health.
>
> It shall be unlawful for the inspectors or any other person or officer having charge of the hiring of either State or county convicts to hire any convict who is not physically able to perform such work to be worked in mines; and whenever a convict is hired to be worked in mines, and subsequently it is made to appear that such work is injurious to the health of the convict, such convict must be removed from such mines and put to some other kinds of hard labor.

Did you know that was the requirement?

Mr. HARRISON. I did; but the prison physician claimed that the man was not sick. I mean, that is the answer to that.

Mr. BARTLETT. Then the law of Alabama in reference to hiring felony convicts to be worked in the mines, if properly carried out, would prevent a prisoner who was physically unable to work from being sent there; and it also provides, in case one is sent there, after

he becomes physically disabled or unable to perform that work, that he shall be carried somewhere else?

Mr. HARRISON. Yes.

Mr. BARTLETT. You said these felony convicts and misdemeanor convicts were worked together. I read you the section of the Alabama law upon that subject——

Mr. HARRISON. I do not remember that I said the felony and misdemeanor convicts were worked together.

Mr. BARTLETT. I thought you did.

Mr. HARRISON. No.

Mr. BARTLETT. I will read the law on that point, so that we can get at what the law is, anyway:

Felons and misdemeanants not worked or confined together; nor males and females; nor white and black.

It shall be unlawful to work together or to confine in the same room or compartment, any convict who has been sentenced to hard labor for the commission of a misdemeanor not involving moral turpitude, with any convict sentenced for the commission of a felony; and it shall be unlawful for white and colored convicts to be chained together, or to be allowed to sleep together; and it shall be unlawful to chain together or to confine together in the same room or compartment male and female convicts. Whenever in the judgment of the governor and the board of inspectors it is practicable to do so, arrangements shall be made for keeping white and colored convicts at separate prisons, and they shall not be allowed to be kept in the same place.

To show that I was under the impression that you had so stated, I called your attention to the fact that in the District of Columbia felony convicts and mere misdemeanor convicts were worked together and kept together.

Mr. HARRISON. Yes. I let that pass, because I thought that had its application down there—that men, while they may be misdemeanants, are men of various stages of misdemeanors, and the same thing is true of felony convicts.

Here is a murderer that works side by side and sleeps in the same room, and gambles with the same men, behind the warden's back, and engages in acts of moral perversion with men who are in there for much less serious crimes.

Mr. BARTLETT. As a person interested, who has given this matter study, what suggestion would you make other than the Alabama people in their statute seem to have endeavored to make—that is, to separate men convicted of felony and misdemeanor, men who are convicted of crimes not involving moral turpitude—that is the language of the statute——

Mr. HARRISON. I would not allow 30 men to be in the same cell.

Mr. BARTLETT. I was not speaking with reference to the number. How would you classify them with reference to their offenses for which they are sentenced?

Mr. HARRISON. I think if you put one man in a cell you are classifying them as far as your classification can go.

Mr. BARTLETT. Then the criticizm you made just now with reference to associating a man who had committed murder with another man who had committed some lesser offense, would not apply? It is in the number confined together that you find ground for criticizm?

Mr. HARRISON. If you have one man to a cell, that man is not going to associate with any other.

Mr. BARTLETT. Either good, bad, or indifferent?

Mr. HARRISON. Worse or better than himself.

Mr. BARTLETT. Of course not.

Mr. HARRISON. That is my point.

Mr. BARTLETT. Then, your idea is that they should not be permitted to associate with anybody, whether a convict of the same degree of crime or a graver crime?

Mr. HARRISON. At certain times, particularly at night. I should not object to their associating in classes——

Mr. BARTLETT. I will use the word "confined," then; confined together?

Mr. HARRISON. Yes. When they are not directly under the supervision of somebody I should say that they should then not be allowed to associate with each other. Some of the New York prisons are notable examples of the contrary of this system, wherein they have a positive program instead of a distinctly negative program. For instance, they attempt to correct the things in the man which have led him to be a criminal. They try to give him such physical treatment. In other words, they diagnose his case, making a record of each individual man, which is known to the prison keeper, and trying to correct his physical deficiencies and give him some kind of educational training, and even training in industrial pursuits, so that when he comes out he has a positive equipment that will enable him at least to make a new start.

Mr. DANFORTH. Is that so in the case of the Illinois reformatory now?

Mr. HARRISON. Yes.

Mr. DANFORTH. Do you know how many inmates of the Illinois reformatory occupy double cells?

Mr. HARRISON. No, sir.

Mr. DANFORTH. You do not know that as a fact about one-third of the cells are double cells, not because of choice in connection with the theory, but because of necessity? They have not sufficient room to give them single cells.

Mr. HARRISON. No. If that is the case, then that is to be condemned on the same ground.

Mr. DANFORTH. I am not defending the occupation of a cell by two persons, but you are giving the case of these low, sordid prisons and prison pens occupied by this convict contract labor, and comparing them with the highest grade and most advanced penal institutions in the United States. I happen to know about the Illinois reformatory where, unfortunately, because of lack of funds and means to build more cells, about one-third of the inmates are in double cells.

Mr. HARRISON. I think, however, you will find that some attempt has been made there to classify the men who were put together.

Mr. DANFORTH. There is no question about that; but there is the most advanced case of penology in this country, and apparently this law in Alabama is a very crude one, and they can not go to those refinements.

Mr. BARTLETT. Have you ever read with reference to the manner of confining convicts prior to 1861? I know in Georgia there were separate cells for each convict in the penitentiary prior to 1861.

Mr. HARRISON. I visited the old Alabama prison, that has been abandoned, which had those single cells.

Mr. BARTLETT. Yes.

Mr. HARRISON. Of course they are quite different from the modern idea of a single cell

Mr. BARTLETT. Yes, of course. The number of convicts in Alabama is some 2,500 or 3,000, is it not?

Mr. HARRISON. Yes.

The CHAIRMAN. Right at that point. What is the advantage—I wish you would explain it—from an industrial standpoint, of working these inexperienced and unfortunate creatures, instead of using experienced miners? That is a business requiring some experience and skill, is it not?

Mr. HARRISON. Mining does not require the same skill now that it used to, because machine workers come in thoroughly; but there are several advantages. One is that in the case of the State convicts they are obtained for at least the same price as free labor, and in some cases slightly less.

In the case of the county convicts, they are obtained for from 8 to 10 per cent less than the current free-labor rate in the district. In the course of a year that saving amounts to something.

Another reason is that the convict labor is very regular.

In the Birmingham district a great deal of the common labor is done by negroes, and most of the large companies have to keep from 50 to 75 per cent larger number of negroes on the pay roll than they expect to be working from day to day, in order to keep the regular equipment on hand.

In the case of the convict labor, 300 men, for instance, go to sleep at night, and 300 men get up the next day and are ready for work, and are ready for work the next day and the next day throughout the year of 310 days. It is regular. I was told by a number of employers that that was one of the greatest things they liked about it.

The third reason is that it is a block toward the growth of labor unions in the district. I was told by a number of employers that it hindered the labor unions, because men in the convict mines could not strike. If they quit work they could be beaten for it.

Mr. YOUNG. That is, the convicts?

Mr. HARRISON. Yes. When free labor has a grievance which it wishes to make emphatic by some kind of a united front in the district, the convict camps grind out their regular quota from day to day, and they take the edge off of the protest that free labor makes. In other words, they furnish a nucleus of coal for operating during labor troubles.

The CHAIRMAN. Did you ever discuss this with any of the officers of the steel corporations who also operate steel plants as well as coal mines for the same of merchantable coal?

Mr. HARRISON. I did.

The CHAIRMAN. What did they say about it?

Mr. HARRISON. The president of the Tennessee Co. told me frankly that he thought that the employing of convict labor in the district was a block toward unionism. He was fair-minded enough, however, to say that he thought that they ought not to have that leverage over the unions.

The CHAIRMAN. Do you know anything about whether this character of labor was so employed during the strike of 1908?

Mr. HARRISON. It was employed, and a number of men in the district told me that they believed that that was one of the factors in driving out unionism from the coal mines of Alabama in 1908.

The CHAIRMAN. Up to that time they had been more or less organized?

Mr. HARRISON. Yes; there were unions in the coal mines up to 1908.

The CHAIRMAN. And the free miners struck, and these convicts kept the plants of the various steel corporations, including the Tennessee Coal & Iron Co., in operation until after they had broken the back of the strike?

Mr. HARRISON. I do not think we could begin to work them to their full capacity. Of course they kept getting out enough coal to keep some machinery going.

Mr. YOUNG. Did the negroes belong to the labor unions previous to this strike?

Mr. HARRISON. I believe not.

Mr. YOUNG. And you say 80 per cent of the labor is negro labor?

Mr. HARRISON. In the convict camps; 80 per cent of the convicts.

Mr. YOUNG. How is it outside of the convict camps? What proportion of the free labor is negroes?

Mr. HARRISON. I have not investigated that, and I do not know.

Mr. YOUNG. Is it very large?

Mr. HARRISON. I should say it was probably more than half, on a guess.

Mr. YOUNG. I understood you to say a little while ago, speaking of the reasons why it was advantageous to employ convict labor, that the labor there was principally negro labor and it was very uncertain; that they had to keep from 50 to 75 per cent more men on the pay roll than they had work for, so as to be sure that they had enough men to run the mines from day to day.

Mr. HARRISON. Yes.

The CHAIRMAN. Do not colored men belong to the labor unions down in Alabama, or did they not in 1908?

Mr. YOUNG. The witness stated that they did not.

Mr. HARRISON. As I say, I have never investigated labor conditions there, and I do not know, but my impression is that they did not, because I know that one of the strong arguments in favor of running a certain labor leader out of town was that he wanted to organize the negroes and there was considerable sentiment against it.

Mr. YOUNG. Among whom?

Mr. HARRISON. Among the employees in general.

Mr. YOUNG. What is your impression as to the attitude of the white employees as to belonging to unions with negroes? Do you know?

Mr. HARRISON. I do not know, other than an impression. My impression is that they would not favor it in the South.

The CHAIRMAN. My impression is merely from hearsay, but right there within a few miles of where I live, Central City, for instance, there are, I would say, a thousand colored men who belong to unions, some of them officers in unions, and they are devoted to their unions.

Mr. BARTLETT. Labor unions?

The CHAIRMAN. Yes; labor unions; miners' unions—I forget the title of them.

Mr. BARTLETT. They do not belong to the same lodges with the white people?

The CHAIRMAN. Yes, sir. They belong to the same unions, go to the same lodges, and are even officers in the same lodges, and work side by side in the mines, and get along without the least bit of trouble. We have thousands of colored and white men in the mines in western

Kentucky, and there is absolutely no trouble on the race question. Both sides are devoted to their unions and realize that each fellow has to do his part. I have never known of any trouble among them in 10 years.

Mr. YOUNG. Do they belong to the same unions?

The CHAIRMAN. Yes; and to the same locals. Among the officers, some of them are white and some of them colored. Socially they are separate, but when it comes to a matter of business, they meet together, parade together, work together, and there is absolutely no trouble on that line at all.

Mr. BARTLETT. That is not true where I live.

The CHAIRMAN. In the coal mines of Kentucky I know that to be the case, from my own personal knowledge. I know these men, and I have heard them talking, at the time of the trouble in Alabama, and they spoke of colored men who were in the unions there. But that is hearsay on my part.

Mr. BARTLETT. I know this: Some time ago, several years ago, when it was proposed to import colored miners to Illinois, they were not permitted to do so. The governor of Illinois said he would not permit it.

The CHAIRMAN. We have a great many nonunion camps, one of them containing 3,000 men—what they call scab labor; but those nonunion camps are all black men, and they are constantly recruited from the convict camps of Tennessee and Alabama.

Mr. YOUNG. Ex-convicts, you mean?

The CHAIRMAN. Yes.

Mr. HARRISON. I should like to make this statement, Mr Chairman, that I think there has been no question but what the labor unions have wanted to organize the negroes, and have attempted to do it, and would like to do so now. My previous statement was simply that I had the impression that they were not organized. That is only an impression. They may have been organized. But this other point that was raised at the time of the strike of 1908 may have been as to organizing them into the same local unions, and that may have stirred up local sentiment against it.

The CHAIRMAN. I have been under the impression—Judge Bartlett will correct me if I am wrong—that the disposition to deny the black man equal rights in industrial pursuits was practically unknown in the South. I know I have been intimately associated with a great many of these labor organizations and have studied them with some interest, and it is not only true of the coal miners, but of the bricklayers and the carpenters and every other industrial pursuit, that a man is never discriminated against on account of his color if he is honest and faithful.

Mr. BARTLETT. That is true in Georgia and, I think, all through the South. They do not discourage the colored men; they encourage them to labor; and it is true that the brick masons and carpenters and other trades work together upon the same building all over the South, in my city and every other; but it is also true, down in Georgia, that they do not belong to the same local unions as the white laborers do. They may have labor unions——

The CHAIRMAN. The general organization?

Mr. BARTLETT. No; they have a colored union, a colored brickmaker's union, for instance. It may have been organized by the

local labor organization organizers there, but they do not meet together nor associate together in the local unions.

Mr. HARRISON. I would like to make this statement, right in line with that, that I find that the best-informed men in Alabama with whom I had the pleasure of associating were very much in favor of some reorganization of the whole convict system. In other words, because it was a negro problem to some extent was no reason at all for their shunning the problem as a crime problem and a humanitarian problem, but they were the men who had been thinking about it and attempting some solution.

Mr. BARTLETT. The great number of convicts makes it much more difficult to solve the problem, together with the fact that the States have been taxed so heavily, so far as their resources are concerned, heretofore, in order to do other things that were necessary.

As a member of the legislature in Georgia many years ago, I advocated a change in the system, but it is only in the last 10 years, or the last 8 or 10 years, I think, that we have been able to eradicate it from our law; and we have an entirely different method which, of course, is not as satisfactory as we would like to have, but is the best we can do under the conditions we have. I have no doubt it will follow along in that country and that this hiring out of convict laborers for profit to the State will be abolished. It should be, and I think it will be. That is the sentiment of the best people with whom I come in contact in Georgia, and the sentiment of the people in that part of the country.

I do not mean to say that some good people do not advocate the other system, but that system we inherited and got thrust upon us by people who were not as much interested in our welfare as we are ourselves, and ever since the State of Georgia got control of its own affairs, or ever since its white people got hold of its own affairs, and its native people got control of its own affairs, there has been a struggle and an effort to get rid of that system which was put upon us in 1868. Strong and influential men became interested in the hire of these convicts, making money out of it, and they resisted any effort to bring about a change; and the legislature was not able to devise a scheme by which it would be abolished.

Gov. Atkinson was elected in 1894, and one of the main things he advocated was the abolition of this system. Finally Gov. Smith, now one of the Senators from Georgia, advocated it, and he called an extra session of the legislature twice, and it was finally gotten through the legislature in 1906 or 1907; and, as far as we are concerned, that is not now on our statute books, but other means are provided.

With reference to the Alabama law, you referred to an instance of a boy being run over by a car in the coal mines after he had been convicted of walking upon the railroad track. Do you know whether there is any compensation paid for his injury in such a case as that?

Mr. HARRISON. I do not know that.

Mr. BARTLETT. The law makes provision for that, does it not? The Alabama law provides that—

When a convict, without fault on his part and while working out his sentence, receives personal injuries, permanently disabling him from earning a living, the board of inspectors shall have power to make provisions for his support until the expiration of his sentence, at a cost not to exceed $8 a month. It shall be the duty of the president of the board of inspectors to insert a clause in every contract of hiring, fixing a liability on the contractor to the State for any amount thus expended for the support of such convict so disabled until the termination of the contract. Nothing

herein contained shall bar the right of such convict to bring his action against the contractor or other person who may be legally liable to him for damages on account of such injuries.

Mr. HARRISON. I know that suits have been brought against the company.

Mr. BARTLETT. Under this provision?

Mr. HARRISON. Yes.

Mr. BARTLETT. And the State undertakes, when a man is permanently injured, to provide for him in a manner until the end of his sentence?

Mr. HARRISON. So I understand; yes.

Mr. BARTLETT. You said this convict, this boy, had been sentenced because of some misdemeanor, and was sentenced to the mines, I understood you to say; is that right?

Mr. HARRISON. The men are not sentenced to the mines.

Mr. BARTLETT. I mean he was sentenced to be hired out and was hired out, and worked in the mines?

Mr. HARRISON. Yes.

Mr. BARTLETT. Do you know how old he was?

Mr. HARRISON. I think he was about 16 years old.

Mr. BARTLETT. If he was convicted for a misdemeanor, he was a county convict?

Mr. HARRISON. Yes.

Mr. BARTLETT. Is it not a fact that the law does not provide for the hiring of convicts who are convicted in misdemeanor cases in the mines, and does not allow it?

Mr. HARRISON. I did not know of that law.

Mr. BARTLETT. I will read it to you:

Hard labor—

This is now the county convict system of Alabama——

Mr. YOUNG. What is the date of that? If you have the latest law.

Mr. BARTLETT. 1907.

Mr. YOUNG. That is pretty recent.

Mr. BARTLETT. Yes; Mr. Harrison is testifying about 1911.

Mr. YOUNG. Yes.

Mr. BARTLETT (reading):

Hard labor for the county includes labor on the public roads, public bridges, and other public works in the county.

If this young man was worked in the mines under a hard-labor sentence, it seems to me he was improperly sentenced and was not properly there.

Mr. HARRISON. I do not know what the interpretation of the law was.

Mr. BARTLETT. You said this was a county convict?

Mr. HARRISON. Yes; but does that law refer to the county convicts?

Mr. YOUNG. It refers to misdemeanants, does it not?

Mr. BARTLETT. It says here: "To provide for the hiring, management, control, and inspection of county convicts."

The CHAIRMAN. I read this law entirely different:

Hard labor for the county includes labor on the public roads, public bridges, or public works in the county, and authorizes the letting of such convicts to hire to labor anywhere within the State as may be determined by the court of county commissioners or board of revenue.

It simply defines what hard labor for the county includes.

It is a fact that two or three hundred of these county convicts were there at that time when you were there, Mr. Harrison?

Mr. HARRISON. Yes.

The CHAIRMAN. You saw them?

Mr. BARTLETT. In the mines?

The CHAIRMAN. And if the Tennessee Coal & Iron Co. had them there, and this law provides that they shall not be there, then they were there in violation of the law?

Mr. BARTLETT. That is the point I was trying to get at.

The CHAIRMAN. And the officers of Alabama and of the Tennessee Coal & Iron Co. were in a conspiracy not only to work these men and flog them, but to do it contrary to the law. Is that true?

Mr. HARRISON. I should not be able to answer that, because I do not know what qualifications have since been added to that law.

The CHAIRMAN. Do they work out their costs as well as the fines?

Mr. HARRISON. Yes.

The CHAIRMAN. Who is the beneficiary of that sort of an arrangement? Just explain that.

Mr. HARRISON. Those fines go into what is called the "Fine and forfeiture fund" of the county—I mean the money from the county convicts; and that fine and forfeiture fund is used to pay the fees of clerks of the criminal and circuit courts, I believe, in all cases where the men who are convicted can not pay their fines themselves.

A man may be convicted and fined and pay his fine; but in cases where he can not pay his fine, then it is taken out of this fine and forfeiture fund, and of course it is to the interest of the men who are paid by fees that this fund continually be large enough to cover all of the needs.

Mr. BARTLETT. Here is the provision about that, as to how it shall be paid:

When county convicts are hired out under the provisions of this article, the cost of conviction and collection shall be paid by the county treasurer to the clerk of the court in which the convict was sentenced.

Mr. HARRISON. To the clerk of the court.

Mr. BARTLETT. That is the law.

The CHAIRMAN. What part of it does the sheriff get? What has he to do with the fixing of the bond?

Mr. HARRISON. The sheriff in Jefferson County, Ala., is paid on a fee system. In other words, he is paid for the number of arrests and for a lot of other services.

Mr. BARTLETT. He is paid so much per person?

Mr. HARRISON. So much per person; yes.

Mr. BARTLETT. That becomes a part of the cost of the prosecution?

Mr. HARRISON. Yes.

Mr. BARTLETT. And that is what this section refers to. When this money is collected from the person who hires the convicts, it is paid to the county treasurer or the clerk of the court in which the convict was sentenced and the clerk of the court settles with the sheriff for his cost bill?

Mr. HARRISON. That is my understanding; yes.

The CHAIRMAN. Who fixes the bond?

Mr. HARRISON. The sheriff fixes the bond of the man who is arrested. In other words, he is judge in his own court, practically, and

because of the profit which the sheriffs make off of feeding the prisoners it is naturally to the interest of the sheriff financially to get as many men into jail as possible and keep them there as long as possible, because he makes at least two-thirds of the State's allowance to him for feeding the prisoners as clear profit. I was told of cases where people felt that the sheriff refused bonds which were amply adequate when they were offered to him.

Mr. BARTLETT. You mean the sheriff fixes the amount of the bonds as well as judging of the security?

Mr. HARRISON. Yes, sir.

Mr. BARTLETT. In all cases, or just in the misdemeanor cases?

Mr. HARRISON. I understand in all cases. I should not be sure on the felony cases.

Mr. BARTLETT. Do you know it is the law that the judge of the court that issues the process is authorized by law to fix the bond at any time, and can be called on to fix the bond, and ordinarily does it? Is it not the practice that the prosecuting officer, the solicitor, as he is called under this law, ordinarily fixes the bond?

Mr. HARRISON. That is not the practice in Jefferson County, Ala., with regard to the misdemeanor cases. I should not be sure as to the felony cases.

Mr. BARTLETT. It is the practice in the State where I live, where we have misdemeanor courts, that the prosecuting attorney fixes the bonds. Of course the sheriff must necessarily be the judge of the sufficiency or the validity of the security.

The CHAIRMAN. Is that profitable to him, do you know?

Mr. HARRISON. Which?

The CHAIRMAN. This system.

Mr. HARRISON. There are no statistics published in Alabama showing what the sheriffs get out of their fees, but men who are familiar with the undercurrents of politics in Birmingham estimate that the sheriff of Jefferson County makes from fifty to eighty thousand dollars a year out of his office. No one with whom I talked placed the figure at less than $50,000.

Mr. BARTLETT. You said there is no way of ascertaining. Does not the law of Alabama fix the fees which the sheriff shall charge in every case?

Mr. HARRISON. Yes; the law fixes the fees.

Mr. BARTLETT. Does not the sheriff have to report to the court and to the county authorities his fees, and is it not a fact that every time, before the sheriff can draw anything for his fees, the cost bill has to be approved by the judge of the court where he is served?

Mr. HARRISON. All that is true, but what I mean to say——

Mr. BARTLETT. If that be true, if the sheriff has to make out an itemized statement of each case, as to the cost in each case, and present it to the judge, and the judge approves it and it is put upon the record, why is there not evidence of how much it is worth?

Mr. HARRISON. What I was speaking of is the net worth of the office to him. He has to employ assistants, as to which I had no means of telling concerning the amount of cost to him. He produces a great deal of food that he sells to the county or with which he feeds his own prisoners.

Mr. BARTLETT. He has his own farm, you mean?

Mr. HARRISON. Yes.

Mr. BARTLETT. Is there anything reprehensible in that?

Mr. HARRISON. No; but I had no way of telling what that food cost is. That is why I say there is no published statement made of what the sheriff makes out of his office. A fairly good estimate can be made along the line you suggest, but as to an exact figure it can not be obtained.

Mr. BARTLETT. It is capable of being exactly computed as to how much is allowed by the law for each arrest. That is a matter of record?

Mr. HARRISON. Yes, sir.

Mr. BARTLETT. Is it a matter of record as to how much he gets for each prisoner and how many prisoners a year he feeds?

Mr. HARRISON. Yes.

Mr. BARTLETT. And the county pays so much for them, and the question of how much the sheriff makes off of the feeding of the prisoners is a matter which is just as much a matter of calculation as when a hotel charges at $5 a day. You do not know how much it costs.

Mr. HARRISON. There is this further qualification that, of course, the sheriff does not get these fees until——

Mr. BARTLETT. Until they are paid?

Mr. HARRISON. And sometimes I understand they are strung along, and really the bulk of his income comes to him after he leaves the office.

Mr. BARTLETT. That follows in this way I apprehend: That, having filed this account as to what the county owes him, what they call insolvent cost in criminal cases?

Mr. HARRISON. Yes.

Mr. BARTLETT. He goes out of office, and that is still a debt against the county, to be paid when these amounts for the hire of convicts which he has arrested and tried are paid to the county?

Mr. HARRISON. Yes.

Mr. BARTLETT. Of course the county would owe him the money?

Mr. HARRISON. That could be computed; but in cases where the fees are not collected I am not sure if a man should die prematurely, before he worked out enough of his sentence to pay for the costs in his case, but that some case of that sort might complicate it slightly; but that would only be a slight complication.

I should say you are correct in that, in that the total amount of his fees could be fairly and accurately determined for the length of time he is in office. I have made an estimate here of the profits he makes annually on food.

The CHAIRMAN. Let us have that.

Mr. HARRISON. The State auditor's report for 1910 shows that the sheriff of Jefferson County received $22,877 for feeding prisoners in that year. I assume that two-thirds of that is a profit, which would be $15,250 above his other fees.

The reason I say two-thirds is that the law allows from 30 to 60 cents per man per day for feeding, according to the number of men. In Jefferson County the number is large enough so that they get only 30 cents, but it was testified in open court there by the warden in the city jail that he could feed 50 men or more at from 7 to 10 cents a day; and that he gives them three meals a day, whereas the county convicts get only two. So that, obviously, they do not cost more than 10 cents a day per man in the county prison. Further than that, I

have a statement from the State jail inspector that the average cost per man per day was between 7 and 9 cents.

So that without any doubt in my mind the sheriff makes two-thirds of the payment to him by the State.

The CHAIRMAN. Right at that point: Is he vigilant or not in apprehending these petty offenders?

Mr. HARRISON. I should say his vigilance and success in apprehending them is almost uncanny, as compared with the ability of the average policeman in getting men who are charged with petty offenses.

The CHAIRMAN. What devices are employed?

Mr. HARRISON. I have no positive knowledge of any devices other than legitimate ones.

I did hear this rumor: It was told to me that practically every sheriff in the last dozen years in Jefferson County has been charged with getting out decoys to start a game of crap among the negroes, and then hauled them all in. I did know that one Sunday while I was in Birmingham something like 60 were hauled in. On one Sunday last May 60 crap shooters, 13 of them white, were arrested in a single raid in the mining camps at Palos, Bessie, Pinckey City, and Blossburg.

Which, of course, was a disruption of the free labor force in the mining camps and which is, for that reason, opposed—or rather, for that reason the fee system is opposed by the large employers of mine labor in the district.

Mr. BARTLETT. The purpose of this investigation is to inquire about the Steel Corporation, and their operation of these convicts.

Mr. HARRISON. That was not my primary purpose.

Mr. BARTLETT. I know. I am speaking of the investigation of this committee.

Mr. HARRISON. Oh, yes; pardon me.

Mr. BARTLETT. As to your investigation of these convicts and their labor in the Steel Corporation's mines, how did that compare with the operation elsewhere; with the way they are worked and treated, and that sort of thing?

Mr. HARRISON. I should say that, on the whole, my impression was that they were a little better treated all around in the Steel Corporation mines and prisons than in the others.

Mr. BARTLETT. Just three more questions and I am through:

These county convicts of which you have been speaking are under the direct control and management—although you call them county convicts—of the Alabama prison commission, or whatever you call it; that commission has control of the others, as well as of the State convicts, has it not?

For instance, it is provided that county convicts hired out by the board of inspectors shall be classified in all other respects and managed as State convicts are classified and managed?

Mr. HARRISON. Yes.

Mr. BARTLETT. This is the way they are hired out now:

If the court of county commissioners, or board of revenue, determine to let the county convicts to hire or labor, such court or board shall enter on its minutes an order to that effect and the judge of probate must immediately notify the president of the board of convict inspectors of such determination and send him a certified copy of such order.

The board of convict inspectors must at once, upon receipt of the notice provided for in the preceding section, proceed to hire out such county convicts in accordance

with the provisions of law and the rules and regulations of the board of inspectors regulating the hire of State convicts, except that the bonds of the contractors shall be payable to the county.

The purpose of reading these sections is to show that all these provisions for the care, protection, and regulation and management of these convicts apply to the county convicts as well as to the ones convicted as State convicts.

Mr. HARRISON. Yes. This, in a nutshell——

Mr. BARTLETT. In other words, the provisions which I have read with reference to caring for the sick and the weak, providing for their not having excessive punishments, and that sort of thing, apply to the county convicts as well as to the State convicts?

Mr. HARRISON. Yes.

Mr. BARTLETT. And they are under the same management and control from the governor now?

Mr. HARRISON. Yes; except that I think the working out of the control is not so thorough in the case of the county convicts as it is in the case of the State convicts, largely because there is a little more direct relation between the State warden, probably, and the State officials—the State board—than in the other case.

Mr. BARTLETT. Oh, no; the same inspectors, the same wardens—the same classes; I do no mean the identical persons——

Mr. HARRISON. Yes.

Mr. BARTLETT (continuing). But the same provisions are here with respect to these, and they are responsible to the governor and to the board of prison management, or whatever the name may be, as much in the case of the county convicts as they are in the case of the State convicts.

In other words, the State, by this law, undertakes to supervise and care for both classes of convicts alike?

Mr. HARRISON. It undertakes to do that; yes.

Mr. BARTLETT. That is what I meant.

Mr. HARRISON. I should say that the responsibility felt by the county wardens to the State board is not as great as the State wardens feel toward the State board. For that reason, possibly, the conditions are not as good. In a nutshell, my feeling about the convict system is that it is to be condemned, because, instead of being a system of rehabilitating or reconstructing or reforming the moral fiber of the men who come under its jurisdiction, it is a system of economic gain. It is an economic system rather than a reform system.

The CHAIRMAN. Do you know how much the State of Alabama makes on these convicts, about?

Mr. HARRISON. About $400,000 out of the State convicts, and the counties get about $100,000.

The CHAIRMAN. That much a year, clear money?

Mr. HARRISON. Yes, sir; that is net profit.

The CHAIRMAN. On how many convicts?

Mr. HARRISON. Two thousand five hundred State convicts and 700 county convicts. I should condemn the system on those grounds, and I think that, to some extent, companies employing State and county convicts must have some moral responsibility in the continuance of such a system, although, perhaps, the primary responsibility goes back to the State.

Mr. YOUNG. There is not much opportunity for any reformatory work among the prisoners under this system?

Mr. BARTLETT. There is a reformatory for young criminals in Alabama, I believe; is there not?

Mr. HARRISON. There is something that answers the purpose of a reformatory for young negro offenders.

Mr. BARTLETT. The statute makes no distinction as to negroes.

Mr. HARRISON. This happens to be a private institution that has never had a cent of money from the State, and it takes care of young offenders in the Birmingham district.

Mr. BARTLETT. But the Alabama law provides for a reformatory for young criminals, does it not?

Mr. HARRISON. I do not know.

Mr. BARTLETT. I think it does.

Mr. HARRISON. If it does it has never been adequately carried out.

Mr. BARTLETT. That may be so, but it is provided for. There is provision made for it.

Mr. HARRISON. They have a reformatory for white boys.

Mr. BARTLETT. It is provided for county convicts under 16 years of age. It does not say white or black. The provision reads:

County convicts under 16 years of age may be sentenced to a term in the reformatory provided for in this chapter, or to hard labor for the county, in the discretion of the presiding judge; and in such event the costs of conviction, not exceeding $50, shall be paid out of the convict fund as provided in cases of sentence to the penitentiary.

The CHAIRMAN. That law provides that they shall be sentenced either in one way or the other; either to hard labor or to the reformatory.

Mr. BARTLETT. That is what I read. There is a reformatory provided in the law for convicts under 16 years of age. They can be sent to the reformatory, at the discretion of the judge.

Mr. YOUNG. Your understanding is, Mr. Harrison, that only the white boys are sent to that reformatory?

Mr. HARRISON. I know that there is a reformatory for white boys, and my understanding is that there is no State reformatory for colored boys. I know that there are two private institutions in the State that answer the purpose of reformatories.

Mr. YOUNG. But, as Judge Bartlett has shown, there seems to be no distinction in the law between the whites and the blacks.

Mr. HARRISON. Yes.

Mr. YOUNG. And if there is a distinction in the practice it is simply because only the white boys are sent to this reformatory?

Mr. HARRISON. That would seem to be the case.

Mr. YOUNG. The blacks, under the discretion there vested, are otherwise disposed of?

Mr. BARTLETT. They are sent to the colored reformatories, probably.

The CHAIRMAN. This colored reformatory you are talking about is maintained by subscriptions, to a great extent made by philanthropic and generous white people, is its not, and these old darkies are helped out in that way?

Mr. HARRISON. It is maintained largely by the help of one white man. The thing was first started by a white man.

The CHAIRMAN. Does this old negro, referred to in your article in the Survey, find it necessary to flog the inmates of his institution with a five-foot thong a quarter of an inch thick?

Mr. HARRISON. I understand that he has no chains or bars or straps for disciplining.

The CHAIRMAN. How many inmates has this one old negro got under his charge?

Mr. HARRISON. An average of 33. He has had 200.

The CHAIRMAN. I have a letter here from Mr. Fitch giving that estimate of the board of trustees for Chicago that he sent the committee. I shall insert it at the close of this hearing.

Mr. YOUNG. That is the estimate of the cost of living?

The CHAIRMAN. Yes; Mr. Young requested it and he sent in one yesterday and one to-day.

Whereupon at 12.55 p. m., the committee adjourned until tomorrow, Thursday, February 8, 1912, at 10.30 o'clock a. m.

The letter from Mr. Fitch, referred to by the chairman, is as follows:

105 EAST TWENTY-SECOND STREET,
New York, February 5, 1912.

Hon. A. O. STANLEY,
House Office Building, Washington, D. C.

MY DEAR MR. STANLEY: I am sending you herewith a copy of the estimate made by the Chicago Charity Organization Society in regard to the cost of living.

I handed the Pittsburgh estimate to the stenographer on Saturday. I have also asked Mr. Hugh Fox, secretary of the United States Brewers' Association, to send you a copy of the compensation plan that has been worked out by the brewers and the brewery workers. It came up, you may remember, in my testimony on Friday, and I said then that I would send you a copy.

Yours, very truly, JOHN A. FITCH.

SOUTH CHICAGO, *January 9, 1911.*

Yearly budget for family of five (an unskilled laborer, wife, and three children living in South Chicago).

Estimate made by three visitors from Charity Organization Society, one visitor from Social Settlement, and the local supervisor of the visiting nurses.]

Rent, $9		$108.00
Food, $6 a week		312.00
1½ quarts milk		43.68
Clothing:		
For man	$28.00	
For woman	10.00	
For children	24.00	
For shoes	38.00	
		100.00
Light and fuel		50.00
Insurance (5 cents a week for child, $2 quarterly for man)		15.80
Total		629.48

Estimates differ only in following instances: Rent $8 to $10. Fuel and light, $45 to $54. Beer acknowledged often as substitute for milk.

No. 45

UNITED STATES STEEL CORPORATION

HEARINGS

BEFORE THE

COMMITTEE ON INVESTIGATION OF UNITED STATES STEEL CORPORATION

HOUSE OF REPRESENTATIVES

THURSDAY, FEBRUARY 8, 1912

WASHINGTON
GOVERNMENT PRINTING OFFICE
1912

UNITED STATES STEEL CORPORATION.

COMMITTEE ON INVESTIGATION OF THE
UNITED STATES STEEL CORPORATION,
HOUSE OF REPRESENTATIVES,
Thursday, February 8, 1912.

The committee this day met, Hon. Augustus O. Stanley (chairman) presiding.

The CHAIRMAN. The committee will resume its proceedings.

Mr. Olander, will you be sworn, please?

STATEMENT OF V. A. OLANDER.

The witness was duly sworn by the chairman.

Mr. OLANDER. Mr. Chairman, I would like to make a statement regarding a scheme known as the welfare plan, which is being used on the vessels of the Pittsburg Steamship Co.

The CHAIRMAN. I will ask you to explain to the committee what experience you have had as a seaman on the Lakes, what position you now occupy; and then I will request Mr. Olander, gentlemen, who has made a study of this question, to explain the welfare plan, under which he has in a way operated, and has had experience.

Mr. OLANDER. I am at present secretary of the Lake Seaman's Union, an organization of sailors on the Great Lakes. I have held one office or another in that organization for the last 10 years, about. During that time, of course, I have come in close contact with great numbers of men working on the Lakes, acting as their representative during that period.

Previous to that I worked as a sailor in various capacities on lake ships, for a period of about 14 years.

Mr. BEALL. How many men are there in your organization?

Mr. OLANDER. There are at present about 4,000 men. Through my close contact with the men I am fairly familiar with the conditions of other men on the vessels, such as marine firemen, and marine cooks, and the use of this welfare plan applies as against all of them.

The CHAIRMAN. Explain first to the committee what this welfare plan is. Then I will ask you to explain the effect of the welfare plan, clause by clause, upon the sailors and other employees on the boats on the Great Lakes.

Mr. OLANDER. I will read some sections of it, but before doing that let me say that they have never been able to enforce it against us thoroughly.

The CHAIRMAN. Explain from the beginning what this welfare plan is. Some of the members of the committee may not know, as you do. Explain what it claims to do. I understand, perhaps, but others may not—so that they may know exactly what you are discussing.

Mr. OLANDER. The Pittsburgh Steamship Co. is a part of the Lake Carriers' Association. This plan was adopted by that association.

The CHAIRMAN. For the control of its employees?

Mr. OLANDER. For the purpose of controlling its employees.

The first article of the plan, under the heading, "Assembly rooms," reads as follows:

These shall be established in such principal ports on the Lakes as the special committee acting responsible to executive committee shall from time to time decide. These rooms shall be clean, bright, and attractive, with good sanitary provisions, and furnished with current newspapers, magazines, and, as they may be secured, with libraries. They will be provided with writing material, assistance in the writing of letters, reliable places of address for letters, and have similar conveniences. For the privilege of their use, under reasonable rules for proper use, the charge shall be at the rate of $1 per year to seamen and a somewhat larger charge to officers, available to all officers and seamen who have a certificate of recommendation as such from the association, and the revocation of such certificate shall debar further use of the assembly rooms under the certificate.

The assembly rooms, by the way, are the shipping offices through which and only through which the men are employed on board ships. It is there they are hired to go aboard the ships.

Mr. REED. Could you tell us just what companies are in that Lake Carriers' Association?

Mr. OLANDER. Practically all the steamship companies that are engaged in carrying iron ore.

The CHAIRMAN. What company is the dominant factor?

Mr. OLANDER. The Pittsburgh Steamship Co. undoubtedly.

The CHAIRMAN. And the Pittsburgh Steamship Co. is a subsidiary of what company?

Mr. OLANDER. Of the United States Steel Corporation.

Mr. REED. Are the grain and coal carriers members of that association?

Mr. OLANDER. The same vessels that carry grain and coal also carry iron ore. There are some few exceptions to that.

The second article, headed, "Certificates or cards," reads as follows:

Any officer or seaman applying for a certificate or recommendation of the Lake Carriers' Association must declare himself willing and pledge himself to discharge his lawful duties toward the ship on which employed, regardless of membership or affiliation on his own part or that of any other member of the officers and crew with any union or association of any kind; and these certificates once given must be revocable in the discretion of the association upon such information as it shall have received and requiring that its consideration and decision of the matter shall be exclusive and final.

Mr. YOUNG. Right there, does this term "association," all through this article that you are reading, refer to the Lake Carriers' Association?

Mr. OLANDER. It refers to the Lake Carriers' Association.

Mr. YOUNG. You did not make it clear, and I was not certain.

Mr. OLANDER. The third article, headed "Issuing certificates," reads as follows:

In putting the system in operation, certificates of competence will be granted as a matter of course to holders of Government licenses according to the grades of the licenses. There will be, then, two other grades of certificates—to able-bodied seamen and to ordinary seamen. The regular certificate, below license officer, will be issued in the first instance, and, until record in discharge book can be presented, to any seaman upon its own representation as to previous service, supported by such information as the issuing officer can obtain, preferably the recommendation of at least one licensed officer, and conditioned on the pledge of the applicant that his representations are true and that he will faithfully perform all lawful duties without reference to membership or affiliation of himself or other members of officers and crew in any

union or association whatsoever, with the discretion and authority in the association to revoke its certificate of recommendation on such information as shall have come to it.

The fourth article, under the heading, "Record discharge books," reads as follows:

To insure the liability, the certificate will be limited to one year, so as to cover a season of navigation. At the time of issuing the certificate, and except as to masters and chief engineers, the association record discharge book, bearing the same number as the certificate, will be put in the hands of the holder, to be deposited by him at the time of signing articles with the master or chief engineer, according to the department of service. In this book such executive officer will, at the termination of the service on the ship, enter a discharge, and, in appropriate column, a statement of the character of service. If this entry be "good" or "fair," the book shall be returned direct to the man, but when, in the best judgment of the officer with whom the book is deposited, such entry can not justly be made, and in every case of desertion or failure to serve after engaging, the book shall be returned by the master to the secretary of the association, together with a statement of explanations from the officer with whom the book was deposited.

The association will thereupon take such action and in such manner as it may deem wise and just after canceling its outstanding certificate.

Those four articles are really the meat of the plan. In addition to them are three other articles having reference to burial benefits and to accident benefits and to a shipwreck benefit. The shipwreck benefit is for loss of clothes and amounts to $30 for the members of the crew and to $50 for officers, payable, of course, only to men who are registered under this plan and who are in good standing in their discharge books.

The accident and death benefit is as follows, and I mention this merely for the information of the committee, because we have not any particular objection to their burying us after we have died. It is what they do to us when we are alive that we complain of.

The scale is as follows:

Master	$500
Chief engineer	400
First mate	250
Second engineer	250
Second mate	150
Third engineer	150
Steward	150
Able-bodied seaman	100
Ordinary seaman	75

In order to obtain burial under those benefits I may state incidentally that we have got to die on board a ship which is enrolled in the association, as I understand it.

The CHAIRMAN. Now, I will get you to take up these clauses, one at a time, and show how they operate, what is the purpose of the provision, and what is the effect.

Mr. OLANDER. The first clause having reference to assembly rooms refers to shipping offices, and is for the purpose of having control over the men while they are there unemployed.

Mr. YOUNG. That is your construction of what the purpose is, is it not?

Mr. OLANDER. Yes; my knowledge of the matter in some of its workings; my observations during a period of nearly three years during which this plan has been in operation.

Mr. YOUNG. Let us understand. Can not you get employment from these companies unless you subscribe to this plan and become a member of this association?

Mr. OLANDER. That is a condition of employment. You have to subscribe to the plan, and you secure your employment through these shipping offices.

The CHAIRMAN. Right there, this is called sometimes a federation, is it not. Do you know what this welfare plan is modeled after; what plan or system?

Mr. OLANDER. It is the same system, but a great deal more vicious, and I use that word advisedly, Mr. Chairman, as was conducted so long by the Shipping Federation (Ltd.), of Great Britain.

The CHAIRMAN. How long has that been conducted, and what is the effect of it?

Mr. OLANDER. I think they operated that system of employing men for some 20 years.

The CHAIRMAN. Under a welfare plan somewhat similar to this?

Mr. OLANDER. Very like this, practically the same thing.

The CHAIRMAN. Was it called, "Welfare plan"?

Mr. OLANDER. No. It was known as the shipping federation system.

Mr. OLANDER. The Shipping Federation (Ltd.), of Great Britain. That plan was in operation 20 years in England and in some ports on the Continent. At the end of those 20 years approximately a third of England's merchant marine was manned by Chinamen and men of like nationality, Asiatics, of some kind.

The conditions had become so bad that they found it increasingly difficult to get Englishmen to go to sea. Last summer, however, the seamen rebelled. You may have heard of the great strike that took place in England. That strike began in a movement against the Shipping Federation (Ltd.), and was for the purpose of getting away from their system of employment, rather than for anything else.

To show the feelings of the men in the matter—this might be matter of information to you—all of the men who went out on the strike were not organized. I think it is safe to say that a majorityof them were not organized. The union men led the fight; that is, the organized workers led the fight; but the rest of them were so resentful against the system that had been imposed upon them that they followed them out and stayed out with them.

Mr. YOUNG. Did the question of wages enter into that strike?

Mr. OLANDER. Partially. The important question, however, was what was known as the Shipping Federation ticket, similar to the certificate issued by the Lake Carriers' Association and in use on the vessels of the Pittsburgh Steamship Co.

The CHAIRMAN. What was the result of that among the sailors?

Mr. OLANDER. The result of the English fight?

The CHAIRMAN. Yes.

Mr. OLANDER. The result was the almost entire abolition of the Shipping Federation ticket, and a different system of shipping. Let me say that in England they use a discharge book also, but it is issued by the board of trade and under the supervision therefore of the Government. It can not be taken away from the man; he can not be deprived of it. It does not necessarily involve that there must be a character marked in it, which at best. you will understand, is simply the opinion of the master of the seaman.

The CHAIRMAN. Now, take up the first article.

Mr. REED. Mr. Chairman, just at this point, would it not be well to learn what proportion of the vessels covered by this Lake Carriers' Association is owned by the Pittsburgh Steamship Co., so that we may see how far the Steel Corporation is responsible for this plan, whether it is good or bad?

Mr. MCGILLICUDDY. That is what I would like to know myself.

Mr. OLANDER. The Pittsburgh Steamship Co. owns—and these figures are approximate—about one-quarter of the tonnage in the Lake Carriers' Association.

Mr. REED. What proportion of the vessels?

Mr. OLANDER. That would be nearly one-quarter of the vessels.

Mr. YOUNG. Are the Gilchrist interests in the association?

Mr. OLANDER. Yes; the Gilchrist interests are in the association.

Mr. YOUNG. About what proportion do they own?

Mr. OLANDER. I should judge at a guess about one-tenth or perhaps a little more.

The CHAIRMAN. Who is the president of the Pittsburgh Steamship Co.? Who is the head of that?

Mr. OLANDER. Mr. Harry Coulby, of Cleveland, Ohio.

The CHAIRMAN. What is his attitude? Does he assume to dominate this situation? Has he ever made any statement about the attitude of the Pittsburgh Steamship Co. toward the other shippers?

Mr. OLANDER. In answer to that let me say that my information is that during the last season or two about one-half of the iron ore carried down the Lakes is carried for the United States Steel Corporation.

Mr. BARTLETT. How much?

Mr. OLANDER. About one-half of the ore carried down the Lakes during the last few seasons.

Mr. BARTLETT. Carried by the vessels in which they are interested or by independents?

Mr. OLANDER. No; their own vessels do not carry all. They furnish freight to other vessels and naturally have some control over those other vessels and the policy of the other vessels to whom they furnish cargoes.

Mr. BARTLETT. By being a large shipper of ore, they are interested in the policy of the owners of these vessels; is that it?

Mr. OLANDER. The shipowner who wants a cargo to carry naturally will favor the shipper to some extent. When this plan was inaugurated and when the first attack was made upon the rights to organize on the Lakes in 1908 the Pittsburgh Steamship Co. itself began the open movement.

We heard nothing of a move of that kind on other ships until we had first heard around the docks and on board the vessels, through the captains of the vessels, that unless the other owners followed the policy of the Pittsburgh Steamship Co., they would not be given cargoes to carry.

Now I can not give you the names of any men who told those stories. They were told by the captains of the ships after they had gotten instructions from the owners. Of course I could not give you those names because if it were known that any of those men had been talking to me or to men in my position, they would have to get off the Lakes; that is all.

But in answer to the chairman's question as to the general attitude of the Pittsburgh Steamship Co. toward the rest of the vessel owners in the Lake Carriers' Association, I believe there is something here that will show it better than a mere expression of opinion on my part.

Mr. YOUNG. What is the document you are about to read from?

Mr. OLANDER. It is a report of the proceedings of the fifth annual convention of the Pittsburgh Steamship Co.'s masters and officers, this convention or meeting being presided over, as I understand it, by Mr. Harry Coulby, the president of the Pittsburgh Steamship Co.

I will quote from page 22 of that document.

Mr. REED. Will you give us the date, please?

Mr. OLANDER. The convention was held at Cleveland, Ohio, January 6, 7, 8, and 9, 1909:

Capt. D. SULLIVAN. The question that Capt. Morgan just mentioned is the most serious one, in my opinion. I think that $15 a month is too arbitrary an increase in the fall of the year anyway. I believe the Lake Carriers' Association ought to have a bonus plan in their schedule. Everybody is watching the lake carriers pretty closely now, expecting possibly the wages might be reduced, and if we make any move it might be criticized as being only a stepping-stone.

Mr. COULBY. Without a spirit of egotism, I may say that the Pittsburgh Steamship Co., has got to be the voice and the other fellow the echo. I am perfectly willing to try these things out for them. We, as the steamship company, wouldn't be so likely to be criticized on the question of bringing down wages, because we haven't got that reputation.

The part I want to call to your attention, which I consider illustrates very well the attitude of the Pittsburgh Steamship Co. toward the rest of the steamship owners in the association, is these words spoken by Mr. Coulby:

Without a spirit of egotism, I may say that the Pittsburgh Steamship Co. has got to be the voice and the other follow the echo.

That, to my understanding, is exactly the situation on the Lakes now among the shipowners.

The CHAIRMAN. When any boat not owned by the United States Steel Corporation desires to get a cargo of ore at Two Harbors, or Duluth, for instance, can it get that cargo without the consent and order of the United States Steel Corporation, either for an independent or individuals? Whether or not it is in the docks at Two Harbors or Duluth, can they get to it unless the Steel Corporation agrees to let them? Who owns the docks there?

Mr. OLANDER. My information is the Steel Corporation owns those docks.

The CHAIRMAN. Have they the control of vessels? For instance, can they say which vessel shall come in?

Mr. OLANDER. They can say which vessel shall come first and which vessel shall wait.

The CHAIRMAN. Suppose there is a vessel, a tramp steamer, or an independent steamer, there at the docks, and one of the Pittsburgh Steamship Co's. boats is 20 or 30 miles out in the Lake. Have they the authority to tell this other boat to stand aside and wait for the Pittsburgh Steamship Co. boat to come in?

Mr. OLANDER. I understand they have that authority and I am informed they do just those things. However, I have not actually stood on the dock and heard any conversation that would enable me to say positively that I knew of some individual case of that kind.

But there are a number of shipowners on the Lakes who have complained about that very thing. Let me say that shipowners on the Lakes who have complaints against the Pittsburgh Steamship Co. are just as frightened to let their names be known publicly, as any of the sailors or captains or other workmen there. I do not say that would be true of all of them, but there are number of cases of that kind.

The CHAIRMAN. The chairman of this committee is not given to testifying, but I presume that statement will not be seriously controverted.

Mr. OLANDER. I do not believe it will, Mr. Chairman.

Mr. BARTLETT. You say you don't know of any instance, but that you have been informed that the Pittsburgh Steamship Co., or the Steel Corporation, with which it is allied, which owns the docks, discriminates between their own vessels and other independent vessels in the matter of furnishing facilities for loading and unloading the freight?

Mr. OLANDER. That is my information, that considerable of that it being done.

Mr. YOUNG. You say you know of no instance yourself?

Mr. OLANDER. No; I can not quote any instance. I can say this, however, that the ships of the Pittsburgh Steamship Co. make more trips per season than the ships of any other company that I know of.

Mr. REED. Is not that because their unloading facilities are so good?

Mr. OLANDER. The unloading facilities that they use at the docks are the same as are used by the independent boats at the same docks.

Mr. REED. Yes; but the independent boat does not use the Conneaut Dock, for instance?

Mr. OLANDER. Oh, yes; the independent shipowner is into Conneaut very often with cargoes for the United States Steel Corporation.

The CHAIRMAN. A cargo of ore destined for plants of the United States Steel Corporation can enter Conneaut Dock?

Mr. REED. Quite true; but as a matter of practice it is used only for Steel Corporation ore.

The CHAIRMAN. Exactly; it is used for Steel Corporation ore carried in any bottom, whether it be of the Pittsburgh Steamship Co. or any other?

Mr. REED. Quite true, but——

The CHAIRMAN (interposing). And they unload that as quickly as the other.

Mr. REED. But all Steel Corporation boats go to the Steel Corporation docks, which are well equipped, and as only some of the other boats on some of their trips use those improved docks it occurred to me that was possibly the reason that the Steel Corporation boats could make so many more trips.

Mr. BARTLETT. They can discharge their cargo quicker and return quicker?

Mr. REED. It is perfectly marvelous the perfection to which they have brought that unloading machinery.

Mr. OLANDER. I will make this statement—and when I speak of independents I mean independent shipowners—that an independent

shipowner having a fleet engaged in carrying iron ore for the United States Steel Corporation on vessels having the same power and the same speed at sea can not make the same number of trips as the Pittsburgh Steamship Co. vessels can, although he uses exactly the same docks and exactly the same machinery.

The CHAIRMAN. Do you know to what extent independent boats are now anchored out in the Lakes, some of whom have not hauled a cargo of ore in two years? Do you know anything about that?

Mr. OLANDER. I do not know the percentage; I can not give you the exact percentage.

The CHAIRMAN. What is the condition as to the independent boats in the last two years?

Mr. OLANDER. During the last two years there has been scarcely a large port anywhere that you could not have gone into at any time and seen laying idle at the docks or anchored out in the harbor ships belonging to independent shipowners.

Mr. BARTLETT. At that time were the Pittsburgh Steamship Co.'s ships busy?

Mr. OLANDER. So far as I know.

Mr. BARTLETT. Were the Steel Corporation ships busy?

Mr. OLANDER. So far as I know, yes. I think it is safe to say that they were all busy except one or two or three, now and again, that had to be laid up for repairs.

Mr. BARTLETT. To what extent do you think this discrimination, for instance, at the docks at Two Harbors, has gone in causing the inactivity of the independents and resulting in the steamships of the Steel Corporation to be active and employed all the time?

Mr. OLANDER. I don't know just what is being done. I don't understand the object of it all.

Mr. BARTLETT. But as I understand you, you attribute the fact of the boats of the Pittsburgh Steamship Co. being busier to the discrimination that was made at the docks where the loading and unloading was done at Two Harbors?

Mr. OLANDER. Yes.

Mr. BARTLETT. That is, you gave it not from knowledge but from information that you said you had?

Mr. OLANDER. Yes. The only effect of that is to reduce freights. Just what it was that forced them to lay idle I am not sure of. Just what the object is I am not certain.

Mr. REED. It may have been slack business, may it not?

Mr. OLANDER. It may have been slack business. There are men who believe that some part of that was artificial.

The CHAIRMAN. What do you mean by "some part of it was artificial?"

Mr. OLANDER. There are those who believe that there was an effort made by creating an artificial depression in business on the Lakes to reduce the selling value of ships in order that some of the large shippers, including the Steel Corporation, might buy them up at a cheaper price than they otherwise could.

I do not pretend to say how true that is. I know this, that shipowners have told me that conditions have arisen there that are going to put the independent shipowner completely out of business.

Let me say in reference to this matter, and to matters of this kind, that any testimony I can give along these lines will have to be merely

hearsay; and I am so tied up I can not even tell you the names of the men who told me these things.

The CHAIRMAN. Right at that point——

Mr. OLANDER. It might be well to get some of those shipowners down here. They might tell some things.

The CHAIRMAN. Not to interrupt you, but in order to hurry along, so as to get as much into this session as we can, I want to say that I went into this situation, merely in a cursory way, and not to determine how much ore was carried in the bottoms of the Pittsburgh Steamship Co. vessels.

I, for one, am perfectly willing to concede that, so long as the law permits industrial concerns to own and operate quasi-public corporations, the Steel Corporation has perfect right, a legal right, and it is certainly to its interest, to transport its ore in its own vessels. It would naturally be expected to give the preference to its own vessels, as I presume it does. I do not apprehend there will be any question about that.

I simply introduced that phase of this question into this testimony, or suggested it to you, in order that the committee might understand the cause of the dominant influence of the Pittsburgh Steamship Co., an influence not measured by its per cent of the number of ships, or by its proportion of the tonnage carried, or actually transported. That was my only purpose.

Mr. YOUNG. Right there, Mr. Olander, last year has been a pretty dull one, has it not, on the Lakes?

Mr. OLANDER. Yes; in the iron-ore trade.

Mr. YOUNG. Yes. And yet the Steel Corporation's own boats, in this dull year, could not carry all of the ore that has been sent down the Lakes. Is not that true? They did send some on independent boats?

Mr. OLANDER. I believe they did.

Mr. YOUNG. And in any year it is only the surplus, which they can not carry themselves, that they send down on other boats?

Mr. OLANDER. I understand that is the situation.

Mr. BARTLETT. Will you return a moment to the matter of discrimination at the wharves? Do you or do you not know whether the State of Minnesota, where the docks are situated, has laws upon the subject, has a railroad and warehouse and elevator commission in connection with the regulation of charges and methods of conducting business at these wharves; whether all matters connected with the receiving and handling of ships at wharves is not regulated by law in Minnesota, covering prices, charges, and so on?

Mr. OLANDER. I don't know whether there is any such law or not. If there was, I do not see what good it would do, for the reason that an independent shipowner might enter a complaint, and he might bring about, if there was a violation of law, the punishment of the offender. But the probabilities are, and I believe he would figure it this way, that he would not get any cargoes afterwards. Other shipowners would know of that and would keep silent. That is my judgment of the matter.

Mr. BARTLETT. You think, then, that the effort to enforce the law would be more harmful against the person who was discriminated against than to submit to it?

Mr. OLANDER. Not if there was a general effort at enforcement, no; but an individual effort, yes.

Mr. BARTLETT. If all the independents acted together, could they not secure that sort of recognition of their rights if they are being charged too much, and so forth?

Mr. OLANDER. I have not the slightest doubt they could, but they do not act together.

Mr. BARTLETT. You think the mere effort of one or more, a small number of independents, would not accomplish anything unless they got a majority or all of the independents to act together?

Mr. OLANDER. That is my opinion of the matter; yes, sir.

Mr. REED. My understanding of the discrimination about which Mr. Olander speaks, is a discrimination in the time taken up for these boats to load and unload, and not a discrimination as to charge?

Mr. BARTLETT. I understood so, too.

Mr. OLANDER. Yes; I had no reference to any charges made; purely as to time.

The CHAIRMAN. My understanding is, and I presume there will be no question about it, because it is a matter that came to the attention of Mr. Woolley and myself often, when I was on the Lakes, that at Duluth it is the universal custom, as I understand, to allow the company's boat to go into the docks and secure its cargo and the independent must wait.

For instance, if a tramp steamer, some boat not owned by Jones & Laughlin, and some of those people, is permitted to get a cargo, it is there at the docks. They know that in an hour or half an hour a Pittsburgh Steamship Co. boat, which is anywhere from 25 to 35 miles out in the Lake, will be there, or will be due; then this other boat must wait for an hour, two hours, or three hours, as the case may be, or any other length of time, until this Pittsburgh Steamship Co. boat has received its cargo.

I was advised time and again that if a boat was actually receiving a cargo and its place was needed, it would have to get out of the way and let the Pittsburgh Steamship Co. boat in, let it get its cargo; and then the other boat came back and received what was due it.

I do not apprehend, however, that there is any violation of law, and I do not mean to charge that there is any violation of law. At Conneaut Docks, for instance, it is a dock on private property, the railroad is owned entirely by the same concern that owns this steamship company, and the hauling of ore by the different companies, although they belong to the Carriers' Association, is given to them, or they receive this ore, as I understand it, as a matter of grace.

Mr. REED. Of course you are speaking now of Steel Corporation ore?

The CHAIRMAN. Yes.

Mr. REED. I have not any information on the subject, but it seems to me that would be a natural course of action to prefer to use their own boats wherever they could.

The CHAIRMAN. It is not claiming or alleging a violation of law?

Mr. YOUNG. Mr. Chairman, do you mean that in relation to the ore of independents?

The CHAIRMAN. Oh, no.

Mr. YOUNG. Which constitutes half or more of the ore shipped from the Lake Superior district; that an independent steamer is not permitted to come in and dock that until every Steel Corporation steamer has been served?

The CHAIRMAN. I understand that is the rule. My understanding was it was the rule with reference to all boats entering the docks of the Steel Corporation. The ore, whether it be the ore of an independent or the ore of the steel company, having been transported on the Steel Corporation's roads, either the Duluth, Missabe & Northern or the Duluth & Iron Range road, the steamship company's boat would have the right or preference. What I was distinctly advised was that was always true with reference to Steel Corporation ore.

I am not stating this as a positive fact. I am stating my information to Mr. Reed, that he may correct it if he knows to the contrary.

Mr. REED. As to the Steel Corporation's ore, I think the practice you speak of may very naturally be the case. But they would hardly dare to interfere with the carriage of ore consigned to some other company, postponing its loading or unloading to their own, because that would be an offense under both the State and interstate laws.

The CHAIRMAN. Do you haul ore for other people in your own bottoms?

Mr. REED. Not so far as I know.

Mr. YOUNG. Mr. Chairman, I have some information on this subject, and some connection more or less intimate——

The CHAIRMAN. Yes; I know.

Mr. YOUNG (continuing). With several independent steamship lines. I never heard a complaint on that score, but, on the contrary, that the got just as good service at the docks as did the Steel Corporation. Of course if the ore to be carried is Steel Corporation ore, they will not give it to an independent until their own vessels are served and out of the way. But so far as the independents are concerned, I have never heard a complaint that they did not get fair service.

The CHAIRMAN. These complaints came to me from boat owners. They were not so much complaints as statements of an unfortunate position.

Mr. YOUNG. I stand in the position of a boat owner.

The CHAIRMAN. You are in better position than anybody else. Have you ever transported ore from Two Harbors?

Mr. YOUNG. Yes, occasionally; not often, because that ore is almost all Steel Corporation ore.

Mr. REED. As far as the consumers of ore go, I never heard of a complaint. Mr. Topping was perfectly free in the statement of his grievances, and I think he would have mentioned it if he had been treated that way.

The CHAIRMAN. I do not presume that would be the case with boats owned, for instance, by Jones & Laughlin, but as to tramp steamers.

Mr. YOUNG. The boats I speak of were independent boats, connected with no line.

The CHAIRMAN. I asked about this in order to show the influence or the moral control of the Pittsburgh Steamship Co. over other concerns in the Lake Carriers' Association.

You may proceed, Mr. Olander.

Mr. YOUNG. This is a matter in which it might be well to call Mr Livingston, the president of the Lake Carriers' Association.

Mr. BARTLETT. Mr. Young, do you know anything about the law of Minnesota with reference to regulating practices and charges at wharves?

Mr. YOUNG. No; I do not, because I never heard the question raised, never heard of complaints from anybody.

Mr. BARTLETT. It is a pretty drastic and extensive law. I know that from having casually examined it in connection with another matter.

Mr. YOUNG. Of course, under the interstate-commerce law, if this is interstate commerce they have to give equal facilities to everybody.

Mr. OLANDER. Mr. Chairman, I had just explained that the assembly rooms were shipping offices, and that in order to obtain employment a man had to go into those offices, and in order to get there he had to register and have a certificate of the Lake Carriers' Association. That is in the first article.

Articles 2 and 3 have reference to this certificate, and both state that the certificate, without which a man can not obtain employment, by the way, may be revoked in the discretion of the association, and that its consideration and decision of the matter shall be exclusive and final.

Mr. BEALL. Are those certificates frequently revoked?

Mr. OLANDER. Up to the present I do not believe very many of them have. They have not been able to thoroughly enforce that plan, for the reason that the men in our union have kept up such persistent agitation against it that they have never applied it fully.

Mr. YOUNG. Right there, in those cases where they have been revoked, and where at the end of the season the card has been returned to the secretary, and not given to the man, has that been used as a sort of black list, to prevent this man getting employment?

Mr. OLANDER. That is exactly what it is, sir. To understand that fully, we have got to take the fourth article, having reference to record discharge books, which is the meat of the whole thing.

It requires that after registration, and at the time of the issuing of certificate, the men are to get a record discharge book, having in it columns which show the name of the ship upon which he served, the time his service began, the time it terminated, and the character of service; the character of service being the opinion of the masters or other officers of the man.

The rule states that if the entry on it, in the opinion of the captain, can justly be "good" or "fair," then the book is to be returned to the man.

When the man ships he must deposit that book with the proper officer of the vessel; but if in the judgment of the officer the entry "good" or "fair" can not be made, then the book is not returned to the man.

Mr. YOUNG. Have there been many instances of that kind?

Mr. OLANDER. No; I do not believe there have been very many, especially because of the agitation that we have been carrying on. Let me state that we have been on strike against that plan since May, 1909. The strike is still going on, and we have kept up a constant agitation against it.

The CHAIRMAN. If you know of any specific instance where those books have been taken from a man, not because he was not worthy and capable as a seaman, but for some other more ulterior motive, you may state it.

Mr. OLANDER. I know of instances where books have been taken from men, but I have not got the names or the facts in my possession here now.

The CHAIRMAN. What is the name of the book they give the sailors?

Mr. OLANDER. It is called a discharge book.

Mr. BARTLETT. What does it contain when the man gets it?

Mr. OLANDER. It contains the man's name, his address, place of birth, age, height, complexion, and his signature; and it is signed by the president of the association—that is, with a copy of his signature—and likewise by the secretary, and also by the issuing official, who is the shipping master, known now as a shipping commissioner.

Mr. BARTLETT. What are those signatures of the officers for? What do they certify to? I do not mean for you to read it, but just compress it in a statement.

Mr. OLANDER. Those signatures are evidently placed in the book simply as a matter of identification.

Mr. BARTLETT. I am not speaking of the sailor's signature. I refer to the officer of the association.

Mr. OLANDER. I will read that—

This book is the property of the Lake Carriers' Association and is subject to revocation for violation of the pledge and conditions contained in the application of the holder for the use of the Lake Carriers' Association assembly rooms.

It is signed by "W. Livingstone, president," and countersigned by George A. Marr, secretary. The signature of the issuing official is C. W. Stephenson.

Mr. BARTLETT. When a man gets one of those books, and the time comes when they think he ought to surrender it, how do they get it?

Mr. OLANDER. They have a system under which it is very easy to take a man's book away from him, because the moment he steps aboard ship, before he goes to work, he hands the book to either the mate or the captain, if he is on deck, or to the chief engineer, if he is in the engine room. When he leaves the vessel, he applies for the return of the book. They already have it in their possession, and all they have to say is that they won't give it back.

Mr. BARTLETT. He is not permitted to keep it in his personal custody while at work?

Mr. OLANDER. No; he is not, while at work.

Mr. BARTLETT. Is that one of the requirements or regulations in the book, that it shall be delivered?

Mr. OLANDER. It states that it "must be deposited, on signing articles, with the master or chief engineer, according to the department of service." That is the statement in the book itself.

Mr. BARTLETT. Is there anything in the book itself as to how he is to get it back, or any reason why he can not get it back, when it shall be seized or taken charge of?

Mr. OLANDER. There is a statement in this book much the same as the statement I read from the plan itself:

It shall be the duty of such officer to enter in this book the time and capacity of employment and its termination, and fill in the blanks for discharge, never failing to make entry of the character of service in the column "character of service." Great care and fairness and also firmness should be exercised in this duty, because on this record will largely depend the renewal or even the continuance of the recommendation which the Lake Carriers' Association can give. The entries for convenience may be "good" or "fair," as the case may be, in the best judgment of the master or chief engineer, with any word of explanation, and the book returned to the person named therein where the entry is "good" or "fair," but in other cases, and in all of desertion or violation of the pledge and conditions noted below, the master shall return the book to the secretary of the association, together with his or the chief engineer's explanation.

Mr. BARTLETT. It is sort of like a pass we had in slavery time. A slave could not go along without pass in certain ways.

Mr. OLANDER. Some who have read the plan and have looked at the books have characterized it as a sort of ticket-of-leave system.

Mr. BARTLETT. Yes. Do you know any means or any method that is provided by which the person who is discharged and the book is not returned to him may appeal to anybody to have that corrected? As I understand it, the determination whether a man shall have his book returned to him, which is a certification of character so far as the association is concerned, is by the officers of the ship. He is not given his book back, which means a discharge, of course. Now, is there any provision in these rules by which he can appeal from the decision of the particular captain or officer of the boat?

Mr. OLANDER. There are none that I know of, but the association officials and Mr. Coulby himself contend that the sailor, as a matter of course, has the right to appeal to the secretary of the association or to the executive committee of the association, to appeal against the action of the captain.

That may be all right in theory. In practice it is almost an impossibility. They may refuse to return the book to a sailor on a vessel at South Chicago. The office of the association is at Cleveland. He does not earn money enough to be able to afford to pay his way to Cleveland and appeal to the officials there and then wait around while they are corresponding with the captain or perhaps wait until the ship enters that particular port. He can not afford to lie around South Chicago or some other town waiting for that correspondence to go on.

As a matter of fact, if you examine into that situation, there is absolutely no appeal for the sailor, because here is a condition that will arise in his mind: He will say, "What is the use of me, an ordinary sailor, having been in the employ of the company a comparatively short time, trying to put my word against the master of the ship who has been in their employ a much longer time and who has a much higher standing than I have; what is the use?"

That is the natural question that will arise in his mind, and there is only one thing left for him to do. If he wants to sail he will go and do that, and this is the terrible thing about this affair. He will go into the office and reregister under an assumed name and avoid the blacklist in that way.

Mr. YOUNG. Have you known of instances where men who have been refused the return of this book and attempted to reregister under their own names were refused either that season or a succeeding season?

Mr. OLANDER. I can not recall any particular case just now. Usually when that happens to the men they come and tell us their stories in the union offices and leave the Lakes. The men that they have brought in to take the places of the strikers, in very great number, are men who have not done much sailing and who, the moment anything like that crops out, get utterly disgusted with it and go away.

Let me say that they do not always carry out this rule now, because of the agitation that we have carried on. I have been informed upon reliable authority that an order was issued at one time by the chief shipping master that, on account of the labor troubles, for the time

being nothing but "good" or "fair" must be marked in the books. Yet even at that time we found some books, or some books were handed to us, that showed some rather peculiar marks. For instance, a man called on Mr. Michael Casey, secretary of the Marine Firemen's Union at Buffalo, and showed him the discharge book, or an entry in his discharge book. He had just left the vessel, and under the "character of service" was written this:

Not satisfactory; too light and too lazy.

Now, there was no way for that man to remove that stain, which the captain had expressed in the book as his opinion. The leaves were bound in there. He could not get rid of it any way, and wherever he went he had to carry that mark with him. He may have been too lazy and too light and unsatisfactory, but it seems to me that he ought not to be branded that way.

Mr. BARTLETT. He had better be discharged without anything.

Mr. OLANDER. Why, of course.

Mr. YOUNG. He, of course, would never present that book with that notation in it.

Mr. OLANDER. Of course not. They have got his record; they have got his description; his name; all about him. What is he going to do? If he wants to sail, he has got to do what the criminal does when he escapes from jail—change his name. And if he has done that, very often he has got to go further. He has got to be afraid of meeting people he knows, for fear they might call him by his right name in the presence of the shipping master who knew something about him.

The CHAIRMAN. As I understand you, this system of blacklisting places a man at the mercy of his superior officer, if he offends him in any way. He has the right—absolute, arbitrary right—to make any entry in that book he pleases, and the sailor is under the obligation of presenting that book to any other ship on the Lakes in this carriers' association before he can get employment.

Mr. OLANDER. That is exactly the situation. And the terrible thing about it is not what the master of the ship or the chief engineer or the mate of a ship does; it is what a sailor knows he can do if he chooses. Let just one master make an unjust entry or make an entry that brands a man. The news of that spreads all over. Men become fearful under the other captains—captains they may be employed with from time to time, who can do the same thing with them. You see the moral effect of that, the constant fear that is in the hearts and minds of the men.

That is the real purpose of the plan. The real purpose of the plan is not to actually blacklist men, but to keep them in a constant, ever-present fear of that black list, to effect their minds in that way. And it seems to me that is the big, terrible thing about it.

The CHAIRMAN. Has this Lake Carriers' Association any objection to the men organizing for their own protection and making collective bargains with their masters, preserving their local organization? Have you ever known of any men who sympathized or affiliated with unions getting into trouble on that account?

Mr. OLANDER. I can give you some information that may be of interest upon that subject. In the spring of 1908 the Lake Carriers' Association adopted a resolution declaring for what they called the open-shop principle. This was in April. In May an order was issued

that all men must be registered in and shipped through shipping offices. Previous to this, let me say, that most of the shipping had been done by the officers of ships going to men whom they knew and hiring them, and picking their men, as it were, taking the men they thought best qualified for the positions on their ships, and sometimes going to others to ask them to recommend men, one captain going to another, and one mate going to another. Sometimes they would call up the union hall about it and sometimes call up the shipping offices.

Mr. YOUNG. Have you that open-shop resolution, as you call it?

Mr. OLANDER. No, sir; I have not got it here.

Mr. YOUNG. That was adopted in 1908, you say?

Mr. OLANDER. Yes, sir.

Mr. YOUNG. That would appear in the proceedings of the Lake Carriers' Association? Or don't you know?

Mr. OLANDER. Yes; it appears in those proceedings. In May they issued that order requiring shipping offices, and immediately following that—or let me say, just previous to that—advertisements appeared in various seaports along the Atlantic coast for seamen, sailors, and firemen, deck hands, nonunion, to come to the lakes.

Nineteen hundred and eight was a year in which there was not very much employment to be obtained. Large numbers of men were idle. A large number of the shippers of the association made no attempt to fit out, and everyone on the Lakes knew that there was going to be a surplus of men there all season, and yet advertisements appeared in the papers all along the Atlantic Coast for men to come out there, and a great many men did come.

Mr. YOUNG. Who were they issued by, ostensibly, on the face of the advertisement?

Mr. OLANDER. I will read one. This is from the New York World, April 16, 1908:

Seamen, able-bodied, wheelsmen, watchmen, non-union, to work on the Great Lakes; good wages, including transportation. Write, stating experience. Address R., 426, World.

Mr. YOUNG. You have no means of knowing who "R., 426, World," is?

Mr. OLANDER. I have not; no, sir.

Mr. YOUNG. Whether it was some employment agency, or the Lake Carriers' Association, or some shipowner?

Mr. OLANDER. I do not know. But perhaps as I tell the story of what occurred, it would seem to indicate that there was not anyone except the Lake Carriers' Association who had any reason for advertising that way.

Immediately after this shipping-office order was issued they began to discriminate against union men. They issued shipping cards. I have a sample of one here. When a man registered in the office and was shipped, he got this card, telling him what vessel he was to go on, what position he was shipped for. There was an order out that the master of the ship, or other proper official, when this man quit, or was discharged, should enter on the back of that card some statement regarding his qualifications.

This card which I hold in my hand was issued to Willard Hare, who shipped as wheelsman on the steamer *Mataafa*, lying at Missabe ore dock, Duluth. It is dated June 1, 1908, Lake Carriers' Association shipping office, Duluth.

From my own information, let me state that this man was discharged at Conneaut, Ohio, and the following appears on the back of the card:

Good wheelsman, but had too much to say about unions. H. G. Regan, master steamer *Mataafa*.

Mr. REED. Do you know to whom the *Mataafa* belongs?

Mr. OLANDER. The *Mataafa* is one of the steamers of the Pittsburgh Steamship Co.

This was one of the first indications of an open attempt to get the union men off the ships.

Mr. YOUNG. Had there been a strike at this time?

Mr. ORLANDO. No; there had been no strike, and the unions had declared that they would take no action regarding the open-shop principles which the Lake Carriers' Association mentioned in their resolution. For my organization I made a public statement at the time that we did not fear open shop; that we had an open union, and we believed we could go right along and work under those conditions so long as union men were not discriminated against.

Mr. YOUNG. You felt you had a better class of men, as a whole?

Mr. OLANDER. I felt more than that. We felt that the men themselves, wherever they came from, if they were seamen, and knew anything about a seaman's life, would come into the organization just as quick as they arrived on the Lakes, or very soon afterwards, anyway.

The CHAIRMAN. At that point I will get you to explain further, because it is a very pertinent question that Mr. Young asks, as to what was the character of the men who at that time manned the ships and boats on the Lakes, and what was the character of the men, both as to nationality and capacity and as to American citizenship, who were imported to take their places?

Mr. OLANDER. The records of our union, which just previous to that time included most of the men, a very great percentage of the men employed on deck in the unlicensed capacities—that is, as sailors, deck hands, wheelsmen, watchmen, and so on—showed that something over 60 per cent were native Americans. An investigation conducted by myself showed that there was a sufficient number of others, naturalized citizens, to make the total of native and naturalized about 85 per cent. Practically all of the rest, the foreigners who were not citizens, were Canadians.

The CHAIRMAN. Where did those people come from, where were they drawn from, what region? And what was the character and personnel of these people who at that time were on the Lakes?

Mr. OLANDER. A large number of them were drawn from the State of Michigan and other States bordering on the Great Lakes—for instance, those who lived in the towns located along the Detroit and St. Clair Rivers or up along the shores of Lake Huron and Lake Michigan, and a great number from the interior of Michigan, the small villages and farms. We have had, and have still to some extent, up along the St. Clair River towns that are very largely composed of men who are sailors in one capacity or another, and, let me say, they are about the only towns left of that description in the United States outside of some fishing towns.

Mr. STERLING. What constitutes a crew on one of those boats?

Mr. OLANDER. A large steamer, with a carrying capacity of, let us say, 10,000 tons, would have a crew of about 23 or 24, all told, from the captain down.

Mr. STERLING. Do you know how many men are in the employ of all the parties to this association?

Mr. OLANDER. The number of positions to be filled when all of their ships are in commission, I believe, would be about 10,000.

The CHAIRMAN. Right there, I want you to go further and explain to the committee, before you get off that point, about the towns of which you spoke. Are there any other places in the United States where American citizens are trained in the use and operation of ships, either for the purposes of peace or of war on this continent, except these towns on the Lakes?

Mr. OLANDER. In the merchant marine?

The CHAIRMAN. So much of it as is in the United States.

Mr. OLANDER. Of course the Government recruits young men from the cities and farms and puts them into service and training for the Navy; but the merchant marine, from whom the seamen would have to be drawn in the event of, let us say, war—on the coast there are at present not 10 per cent of Americans on board of them, exclusive of licensed officers.

Mr. BARTLETT. You mean on the coast, or on vessels that ply, for instance, in the coastwise trade?

Mr. OLANDER. I mean the coastwise vessels, and American vessels that trade at coast ports, to anywhere, even though engaged in a foreign trade. A number of American vessels are engaged in foreign trade carrying Chinamen.

Mr. YOUNG. They do not carry the American flag; they may be owned here.

Mr. OLANDER. No; they carry the American flag, sir.

On the Atlantic coast we have rather a peculiar situation, for instance, in coastwise steamers. Fully 80 per cent of the firemen on board of those ships are Spaniards, and a very large percentage of them can not even speak the English language. A large portion of the deck crew are foreigners of some description or another, a considerable number of Italians being employed.

Mr. YOUNG. Are there not quite a large number of Portuguese among them also?

Mr. OLANDER. Yes; quite a large number of Portuguese are among them, too. It was along this coast where these kinds of men are employed, that the advertisements were spread, to get men to come to the Lakes, to take the places of the only remaining body of American seamen.

There were great numbers of them came. Masters and officers of the ships want experienced men, and our men, fighting as hard as they could for the jobs, doing anything almost to secure the jobs aboard of the ships, quite a number of our men, a very large percentage of our men, got on board of them; and then began a movement that I want to speak of next.

In June, 1910, the first move, so far as we know, was made. The captain of the steamer *Bunsen*, of the Pittsburgh Steamship Co., went to his crew and told them, "I have orders from the office that you must surrender your union books to me, give up your union books, or be discharged."

Mr. REED. Whose boat is the *Bunsen*?

Mr. OLANDER. It belongs to the Pittsburgh Steamship Co.

Immediately following this, the same action occurred upon one of the Pittsburgh Steamship barges at Toledo, Ohio, and then spread

into other vessels, just about as fast as they came into port; that is, other vessels of the Pittsburgh Steamship Co. Immediately we began examining the condition on board of the vessels of other companies as to what they were going to do, and it was then we were told by captain after captain that he had seen his owner, and that the owner had informed him there was not anything for him to do except to follow the lead of the Pittsburgh Steamship Co. in this matter, or they would have difficulty in getting freights.

I speak now of the independent shipowner. That story was told and spread like wildfire all over. In a very brief space of time that policy of "Give up your books or give up your job"—and good, plain language was used—was being carried out on nearly all the ships of the association.

With the docks full of men, in a sense, the shipping offices crowded with men from along the coast, from the interior towns, because the advertisements were carried in a number of places, to induce a large number of men to come to the Lakes, our men had managed to get aboard the ships; and they made up their minds to stay there.

We got out a duplicate membership card, and a man carried a duplicate card in one pocket and a book in the other; and when, in order to save his job, he had to surrender his book, he gave up the book and paid dues on the duplicate card. When they found that out, they came along with two slips of paper, one of them reading, "I am a union man"——

The CHAIRMAN. Have you those slips?

Mr. OLANDER. I have got copies of them here.

Mr. YOUNG. Are those made from originals, such as were offered to some of the men?

Mr. OLANDER. Yes. This is one, that I now hold in my hand. It has space for a date:

I declare upon my word of honor that I apply to ship free to act for myself, not belonging to any union, and in case of strike, sympathetic or otherwise, will remain on board and perform my duties in a proper and satisfactory manner. Also, I will have no one under me except as above.

Then there is a place for signature, address, city, and State.

Mr. YOUNG. That would seem to be for an officer, that form.

Mr. OLANDER. It was used for all classes of men.

The other one reads:

I declare on my word of honor I apply to ship as a union man, free to observe the rules and instructions of my union.

These were handed to the men together. They were told:

We want to make a record of the union and nonunion men, because there are quite a large number of captains, mates, and engineers who want to carry union men; then again there are some who want to carry nonunion men, and we want to give them the kind of men they want. You just go ahead and sign one of these. If you sign the first one, that means you are a nonunion man, and will be given employment when nonunion men are wanted. If you sign the union one, you will be given employment when the union men are wanted.

And they sent men, walking delegates, of the Lake Carriers' Association, who went on board the ships with these slips.

By that time our men had got into a state of mind when they were ready to do anything and sign anything. I advised them, as their executive officer, to sign a nonunion slip, because I felt for them to do anything else meant instant discharge. There were some who did

not like to do that, and they signed the other one. Invariably they landed on the dock a very short time afterwards.

A man who signed the union slip in the shipping office had no earthly show to ship. Nothing was said to him. He simply did not ship; that is all.

This was just a trick to get the men to declare themselves, because they had found out they were getting under cover through the use of the duplicate membership card.

We had to have a man stationed at the Government locks at the Soo in order to reach the men, when we found out what was going on at the shipping offices, and keep them advised, and tell them to do thus and so, in order to avoid being put off the ships, rather a serious condition of affairs for the men.

Mr. BARTLETT. Have you any idea how many men were discharged by reason of having signed the union card?

Mr. OLANDER. I have not any record; not very many, because very few signed it. The treatment the men had received just previous to this was a warning to them. Many of them had given up their books. They knew, or they assumed at least, that this was simply a trick to discover the men who had the duplicate membership cards, and who had already given up their books, and they did not propose to get trapped by it.

There were some instances after this where men were asked—and my information upon this particular subject is from a report made to me by the men themselves—to take oath that they had severed their connection with the unions and that they would not join any labor organization again as long as they sailed for a living. That, however, occurred only on comparatively a few vessels, because when the fact was given publicity it was stopped, but that showed the extent to which they went.

I have here a letter that was written to me by a seaman by the name of Mr. Frank E. Hyde:

DETROIT, MICH., *August 1, 1908.*

DEAR SIR: Pen in hand I will drop you a line in regard to the open shop. I have been told by all the delegates at different ports to sign anything that the Lake carriers put up to us to sign, and up to date I have. Now, we were given another shakeup in Cleveland this trip. He wants us to go before a notary public this trip and take an oath that we would never belong to any union again. One oiler and two deckhands got off. They refused to sign it and it is up to the rest of us to sign when we get back, or get off. Now, what I would like to know is this, Would you advise us to sign it or not? It don't look good to me. But there might be some way I could break it. If there is I will sign it, if you see fit. Now, if you will give us a good understanding on this subject it will grant us all a favor in doing so. Hoping that you will see to this at once so I will get it on the way down—will be in Detroit the 4th. Please mail in a plain envelope as it will save us a lot of trouble. I will give you a copy of the contract on the back of this sheet, and oblige

FRANK E. HYDE.

(Steamer *H. B. Hawgood*, marine delivery.)

Mr. REED. Is that a corporation boat?

Mr. OLANDER. No; the *Hawgood* belongs, I believe, to the—well, I don't know the name of the steamship company, but one of the companies at that time managed by the Hawgoods, who were independent shipowners, and I understand they carried a considerable lot of the Steel Corporation ore, and depended on them for freight; and this condition is the outgrowth of the movement started by the Pittsburg Steamship Co.

A copy of the contract, as he calls it, on the back of his letter, is as follows:

STATE OF OHIO, *County of Cuyahoga, ss:*

——— ———, being first duly sworn, deposes and says as follows:

I hereby renounce all allegiance to any and all labor unions, particularly the stewards, seamen, firemen, and oilers, and I declare it to be my intention not to join either as long as I follow sailing for a living. I am therefore a nonunion man, and if I can get a position on a lake vessel in the event of any strike of any description involving the ——— ——— Union, I will stay by the ship and faithfully perform my duties as such employee despite such strikes or orders of any union.

Subscribed in my presence and sworn to before me this —— day of ———, 1908.

[Notary seal.]

———— ————,
Notary Public.

This was reported to me as having occurred on possibly a dozen different vessels, occurring just about the same time. I went to the newspapers around the lakes and told them the story. They printed it, and the result was it was stopped almost immediately. But the other movement consisted of trying to get men to sign these two slips, trying to find out whether they had a duplicate membership card, and to get them to give that up, finding out whether a man had a union book, and getting him to give that up. That continued throughout that season.

We got along that way. The men found that they could play that game pretty nearly as well as the shipowners, and when the season ended they had been able to force but a very few men out of the union.

It was immediately following that the welfare plan made its appearance. I want to say, too, that is not the first time they had a contract of that description, although that is the first time they were used with us. In 1906 there was an attempt made on the part of the licensed mates on board the ships to form an organization. They had had an organization some two years previous to that which had been broken up. They tried to reorganize, and that spring this kind of a contract was sent out to the licensed officers of the Pittsburgh Steamship Co.:

You are hereby appointed ——— mate of a steamer of the ——, subject to the approval of the management of the Pittsburgh Steamship Co. Your salary will be —— per month. Membership in any marine labor organization now or at any time during your service hereunder will revoke this appointment. The right is reserved by me to terminate this appointment at any time for inefficient service or other cause deemed by me sufficient.

So that when they began the movement against us, we readily recognized what was coming.

Mr. YOUNG. At the time this was done by licensed mates, was there any attempt to eliminate the union sailor or deck hand?

Mr. OLANDER. No; they did not try anything. The fact of the matter is that in the year this was attempted, and successfully carried out, by the way, we had an agreement with the Lake Carriers' Association covering that year.

Now, in 1908, they were after us in the way I have described, and we are dodging it. They keep advertisements running one way or another most of the season to induce men to come to the already overcrowded ports. There was an advertisement appeared in the

Ashtabula Beacon-Record, in the month of July or August, 1908—I am not sure just what month—but the advertisement read this way:

Sailors wanted. Young men from 18 to 30 years of age, who have never sailed before, are wanted at Lake Carriers' shipping office harbor. Wages from $30 to $50 per month and board. Good chance for energetic young men who will devote themselves to the business.

GUS J. HOFFMAN,
Shipping Master, Kahne Block Harbor.

The object of this, as we understand it, was that in a number of the offices they found there was no way of determining who were union men and who were not. So that the only way they could be certain to keep the union men off the ships was to get men to come into these offices and ship who had never been on the Lakes before. In that way they would be certain they would not be members of the union.

In 1909, when we struck, when we went on strike against the welfare plan—and let me say there was not any other question between us; there was no question of wages or anything of that description involved; no question of open shop or union shop involved—just that one thing.

Mr. YOUNG. You could not have understood me a while ago, then. I asked you about that, and if the question of wages entered into it, and you said slightly. Were you referring to something else, at some other time?

Mr. OLANDER. It seems to me we were then speaking of the English strike.

Mr. YOUNG. Well, I guess you are right; I guess I was mistaken.

Mr. OLANDER. At any rate, there was no question of wages between us, although we were getting in an organization for the purpose of bettering our wages and conditions. We intended, as time went on, to get better wages if we could. But at this time there was but the one question between us. We had held no conference, for they declined to meet us. When we could not agree to take that plan, our men refused to serve on the ships, they brought in men from nearly everywhere—in the beginning most of the men who were brought in were the various steel-mill laborers, who were unemployed at the time, from the Pittsburgh district, and from a number of steel mills around the Lakes, many of them not able to understand the English language.

The CHAIRMAN. What nationalities?

Mr. OLANDER. They were Poles, Hungarians, and Slavs of various descriptions; and we got a mixture of Italians. At one time during that season we were issuing considerable literature, explaining our trouble, and we found it necessary to get most of our literature out in foreign languages, such as Polish, Hungarian, and Italian.

Then they got young boys of varying ages, from 14 years up, who had never been on the Lakes before. They had a great deal of trouble with their ships that year, and a great many accidents. For the first time since the locks at the Soo were built, I believe, the Canadian lock was wrecked by one of those steamers. That is, she rammed the lower gate while the lock was full of water and two vessels in the lock.

Mr. YOUNG. The same thing happened the same year at the American lock?

Mr. OLANDER. Yes. The same thing happened the same year, the same kind of an accident, due to the kind of crew they had

placed aboard the ship. The steamer *Elwood*, of the Pittsburgh Steamship Co., ran amuck—that is as good a way to put it as any I can think of—into the American lock. A very disastrous wreck was prevented by the fact that the south leaf of the upper gate was partially closed. She struck that, and the heavy gate stopped her. The gate was very much damaged. If that gate had not been sufficiently opened to have caught her she would have run into a full lock and have hit the lower gates and let the rush of water out, and there were several small lumber vessels in the lock at the time, I believe.

That kind of thing never happened before.

Mr. GARDNER. What was the nationality of the men they displaced?

Mr. OLANDER. A little over 60 per cent were native American, 15 per cent were Canadians, the balance being men from either England or northern European countries. With the exception of some of the Canadians, most of these men were American citizens.

Mr. GARDNER. The Canadians were French Canadians, of all kinds?

Mr. OLANDER. There were very few French Canadians. There was considerable of that blood in some of them, but they came from districts closer to the lakes; that is, closer to Lake Huron and Lake Erie. The French Canadians are further in the east.

Mr. YOUNG. As to these two accidents, do you know what the crews were who were on board, and just how those accidents happened?

Mr. OLANDER. No, I have not any definite information regarding that. In the case of the steamer *Perry G. Walker*, that struck the Canadian lock, it was stated in the papers at the time that it was due to a misunderstanding of signals; that the engineer at the throttle had misconstrued the signals and had sent her full speed ahead at the time when he should have sent her full speed astern.

Mr. REED. Whose boat was the *Walker*?

Mr. OLANDER. I believe the *Walker* belonged to the Gilchrist people.

Cases have happened before where engineers have misunderstood signals in similar places; but a deck crew happened to be on board that knew their business; understood their work, and they got out their cables and managed to check the vessel sufficiently to prevent her from doing any great damage.

Mr. YOUNG. You don't know whether this engineer was a new man or an old man—new or old in the service, I mean?

Mr. OLANDER. I have not any information on that subject.

Mr. GARDNER. That is not an uncommon thing, then, is it, where a crew will correct the mistake of the engineer as soon as they are able to do it?

Mr. OLANDER. That is part of their work. Any of them who know anything about it will jump to their stations at once, without an order.

Mr. GARDNER. Would the crew know, without orders, that a mistake had been made?

Mr. OLANDER. They would jump to their places as soon as they saw it and, of course, the officer would issue orders. But at a time like that, in an emergency, a real seaman never asks questions. All they do is to hustle.

The CHAIRMAN. Do you know whether there was any difference at that time between the methods as to shipping that had any result

in that way? Would the boats risk the same seas and ship with the same facility and speed that they had done previously with the old seamen?

Mr. OLANDER. My information upon that is that they tried it and ended up by being very much more careful in that respect, laying in port considerably in case of bad weather. If my memory serves me right there was a very interesting story told in the newspapers about, I think, the steamer *Hutchinson* and the terrible time the master had had with the crew that was on board. All hands got seasick and would not work in a heavy sea. The result came very near being disastrous to the steamer. They had to use some very strong measures upon the men in order to get them to do anything.

At one time, I believe it was later on in the trouble, a barge got into difficulty outside of White Fish Point. There was quite a number of large vessels laying under the point in shelter. It was blowing a gale. The barge was flying distress signals, but none of them offered to go out to help her. My information upon this subject is taken from a report made by the captain of a lighthouse tender that belonged to the Lighthouse Service. The lighthouse tender, a small vessel of some 400 tons, went out and picked her up.

The CHAIRMAN. If those other boats had been properly manned, could they have done better than the lighthouse tender?

Mr. OLANDER. Undoubtedly, because they were larger and heavier boats, and could have got to her with less rough usage than the smaller vessel got.

The captain of the lighthouse tender, as I remember, took occasion in his report to severely criticize, or to put his language in such a way as amounted to a criticism of the failure of the other vessels to go out and render assistance.

I assume that his report was correct, but let me say that the captains and officers of those vessels can not be fairly accused of being cowards. They are the same kind of men who before and who afterwards have taken big chances in rescuing others. There could be be only one reason why they did not go out, and that was the fact they did not have the crews to handle their ships. They are the same kind of men who in years past, and who since then, have time and time again risked their lives for others, without a murmur, and, I believe, would do it again. It is unfortunate that masters of those ships had to be criticized, because it was not their fault.

Mr. YOUNG. As to this Hutchinson accident, you have no knowledge except what you got from the newspapers?

Mr. OLANDER. That is all; just the newspapers and the fact that it was quite a topic of conversation among the officers of ships, many of whom I met and who had met the officers of that vessel. I am not clear on all the details, and I am not absolutely clear as to the name of the vessel, but it was one of the Lake Carriers' Association vessels, and I believe one of the Hutchinson's vessels.

The CHAIRMAN. Do you know whether they make any inquiry as to a man's union affiliation on these boats? Do you know of any recent instance where men affiliated with unions have made an attempt to get employment?

Mr. OLANDER. I have an affidavit here covering their system of employment and some other things that might be of interest to you.

Mr. YOUNG. What is the date of it?

Mr. OLANDER. It was sworn to on the 3d day of February, 1912, at Mobile, Ala.:

I, Oswald Christensen, being first duly sworn, state that on September 8, 1911, I went to the Lake Carriers' Association shipping office at South Chicago, Ill., to look for employment as a wheelsman. I was informed by the shipping master that in order to get a job I would have to join the Lake Carriers' Association "welfare plan" and secure a discharge book, which would cost me $1. I thereupon signified my willingness to enroll.

The shipping master then made a record of my name, age, place of birth, name of nearest relative, and personal appearance. He instructed me to sign a paper, the contents of which I did not see, and then, upon receiving from me $1 he gave me a Lake Carriers' Association "discharge book" and an "able seaman's card" or certificate, both being numbered 80865, the latter certifying that "upon the application of the holder and the best information available to the Lake Carriers' Association, Oswald Christensen is competent to perform the duties of able-bodied seaman as wheelsman."

No effort was made to ascertain whether or not I was qualified to serve as a wheelsman other than to ask me one question as to how long I had sailed; no questions relating to seamanship were asked, the certificate and discharge book being handed to me without further questioning, and I was told to wait around for an opportunity to ship.

A few days afterwards I went to Conneaut, Ohio, showed my certificate and discharge book to the shipping master at that port, and requested that I be given employment on one of the steamers of the Pittsburgh Steamship Co.

While waiting to secure such employment I made the acquaintance of a number of men in the shipping office or "assembly room," and by them I was informed that when a discharge book was marked "fair" three times, it meant that the holder of such book was on the black list and would not be allowed to ship again.

On September 19, 1911, I was shipped on the steamer *Crescent City*, belonging to the Pittsburgh Steamship Co., the Lake Carriers' Association "commissioner," or shipping master, William Ford, giving me an "identification card," showing name of steamer, name of port, position (wheelsman) it was intended I should fill, the signatures of the "commissioner," and myself, dated "Lake Carriers' Association, September 19, 1911, assembly rooms, Conneaut." On the bottom of the card appeared the following: "Discharge book No. 80865, which is in his possession and must be presented with this card."

Upon arriving on board the mate, Mr. E. C. Bowerman, immediately asked me for my "discharge book," which I handed to him. He examined it, and finding no marks therein, it being a new book, he questioned me as to where I had been sailing. I replied in such a manner as to indicate that I had formerly sailed as a union man. His attitude toward me was unpleasant and overbearing, but I stayed on board the steamer one trip, until arrival back at the port of discharge, Cleveland, Ohio, when I signified my desire to quit the ship and requested that my discharge book be returned to me.

The mate, Mr. Bowerman, thereupon told me they would not enter "wheelsman" in the "capacity" column of my discharge book, but that the entry would read, "Watchman, fair." I recognized at once that this was for the purpose of preventing me from again obtaining employment upon any of the vessels of the Pittsburgh Steamship Co., since none of the seamen employed on said vessels are rated as "watchmen."

I remonstrated, but it did no good, and I had only the choice of accepting the book, which would thereafter show plainly to all shipping masters or commissioners and officers of all ships in the Lake Carriers' Association to whom I might present it in an effort to secure employment that I was considered unfit, or of refusing to accept the book at all, and thus giving up all opportunity of securing employment on any of the association's vessels.

I took the book and went ashore.

I have sailed 15 years on vessels, both steam and sail, in various parts of the world, and am qualified to serve as able seaman, having served in various capacities on board ship, including that of wheelsman, on a considerable number of steamers.

The steamer *Crescent City* carries a deck crew of 10 men (exclusive of licensed officers) as follows: Four wheelsmen and six deck hands. On the aforesaid trip I was one of the wheelsmen; of the other three, one was a licensed officer, and another was an inexperienced man who was unable to steer. The six deck hands were Greeks, who could not understand the English language.

I have just completed a voyage on the steamship *Fort Morgan* as quartermaster, and I am now residing at No. 10 North Warren Street, Mobile, Ala.

OSWALD CHRISTENSEN.

Subscribed and sworn to before me this 3d day of February, 1912.

GLENN L. HAMBURGER,
Notary Public, Mobile County, State of Alabama.

(My commission expires June 14, 1912.)

The CHAIRMAN. Do you know this man?

Mr. OLANDER. I know him personally, and have known him for years.

The CHAIRMAN. He is a qualified wheelsman?

Mr. OLANDER. Yes; a thorough all-round sailor. The discharge he got might be contrasted with the discharge in another case, which will show you how the system operates. Here is a book that was issued to a young man who states that in July, 1909, at the age of 15 years, he was shipped in the capacity of deck hand on board the steamer *Thomas Lynch*. That I believe is one of the steamers of the Pittsburgh Steamship Co. In the following spring—that is, after five months of service, and at the age of 16—he was shipped on the steamer *W. W. Brown* as watchman.

Mr. REED. Whose boat is the *Brown*?

Mr. OLANDER. I do not know to whom she belongs. He has a discharge "O. K." I have met him, too, and I know he does not know his duties aboard ship. The facts are here over his own signature. He was a son of the then chief of police of Conneaut. After he had the vessel he went to our agent and gave him this statement.

Mr. YOUNG. This was a different boat from what Christensen shipped on entirely?

Mr. OLANDER. Oh, yes; but it shows the operation of that system. It is so absolutely irresponsible that there is not even sense to it. There is only one thing that it does. It serves as a method of constant repression upon the men. Its purpose is to prevent them from continuing their organization and from using their organization to create better conditions for themselves. Along with its adoption one of the first things that happened after the Lake Carriers' Association had adopted it was an attempt on the part of the Pittsburgh Steamship Co. to reduce the wages of the men, showing its purpose clearly.

Mr. GARDNER. When was it adopted, in 1909?

Mr. OLANDER. The action of the Lake Carriers' Association, as shown by a pamphlet which they issued and sent to owners of various ships, at the bottom of the pamphlet there appearing this:

Action of board of directors, October 28, 1908; action of executive committee, December 3, 1908.

Mr. YOUNG. It was in the spring of 1909 that the attempt at a reduction of wages took place, was it not?

Mr. OLANDER. Yes, sir.

Mr. YOUNG. At the opening of the season?

Mr. OLANDER. They did not attempt to cut the opening wages. In order to clear that up I might read to you here from two photographs that I have, photographs of bulletins issued by the Pittsburgh Steamship Co. to the masters of their ships. These came into my possession through the kindness of one of the gentlemen who had received one of them and who showed it to me and permitted me to photograph it.

Under the head of "Bulletin No. 1," the date line being "Cleveland, Ohio, April 1, 1909," there appears a paragraph as to the expected time of going into commission.

Then the following appears:

There seems to be some misunderstanding with reference to the manning of our ships the coming season. I desire to have it distinctly understood that there will be no increase in the crew on any of the boats, and there will be no bonuses paid to anybody. You have notice, of course, from the public press that the reduction of wages is becoming general. I hope to be able to maintain the same monthly wage we paid last year. In hiring your men have it distinctly understood that the summer wage will run through up to the close of navigation, and only in cases where the men have stayed on the ships during the entire season, when the ship is laid up in the fall, we will pay in a lump sum the $15 per month—the additional amount they would have received if the wages had been raised to $65 per month beginning October 1, as it was last year.

And a wage scale, by the way, which had been in effect quite a number of years.

Mr. YOUNG. In 1909 was not that a year of slack shipments in the ore trade?

Mr. OLANDER. Shipments fell below the average. They had a great deal of difficulty operating their ships because of the difficulty of obtaining men.

Mr. YOUNG. Was not the difficulty in disposing of the ore?

Mr. OLANDER. I am not very well informed on the iron-ore business, and to state positively as to whether or not it was so, I do not know.

Mr. YOUNG. You have the shipments there, Mr. Reed, have you not?

Mr. REED. I will find them.

Mr. OLANDER. The vessels were delayed on account of inability of the men to man them, and of course such delay would reduce the number of shipments, regardless of how many shipments they wanted.

Mr. YOUNG. The shipments have varied a good deal. We have had some very poor years and some better years.

Mr. OLANDER. There has not been a time since the fall of 1907 when all of the ore-carrying ships on the Lakes have been in commission in one month during that time.

Mr. GARDNER. To revert to Mr. Christensen's case, is it your opinion that his discharge, or the return of his book, or whatever it was, whatever way he was marked, was in consequence of the fact that his preliminary conversation at the time of employment showed he was a union man? Is that your personal opinion?

Mr. OLANDER. That is my opinion of the matter.

Mr. GARDNER. Have you any other instances of the same sort?

Mr. OLANDER. I have heard of other instances, but I can not specifically mention them.

Mr. GARDNER. Would it be your opinion that a man in Mr. Christensen's place should be rather careful in the first instance not to say he had been a union man? Would that be your opinion?

Mr. OLANDER. That is my judgment.

Mr. GARDNER. They generally do not mention it?

Mr. OLANDER. They take great care not to mention those things.

Mr. GARDNER. As far as you know there was no other case?

Mr. OLANDER. So far as I know there was no other case. I know the man personally, and have known him for a number of years.

Mr. GARDNER. What sort of a man is he? Perhaps that is not exactly a question to be asked.

Mr. OLANDER. I will briefly state it this way. He is a good, steady, sober, industrious, intelligent workman.

Mr. GARDNER. How old a man is he?

Mr. OLANDER. About 30.

Mr. GARDNER. Did he ever get into trouble before?

Mr. OLANDER. I have never known him to be in trouble anywhere on board ship.

Mr. GARDNER. What sort of a job was this in which he was serving when he made that affidavit?

Mr. OLANDER. It is a position somewhat in the nature of a petty officer, much the same as wheelsman. We call them wheelsmen on the Lakes, in most instances, while they are called quartermasters on the coast.

Mr. GARDNER. Was his service as quartermaster satisfactory to his employers; do you know?

Mr. OLANDER. I have not any information upon that.

Mr. GARDNER. Has he reshipped on the same line at all?

Mr. OLANDER. That I do not know.

Mr. GARDNER. Is he still pusuing a seafaring life?

Mr. OLANDER. Yes.

Mr. GARDNER. Or is he doing something on shore?

Mr. OLANDER. No; he is still sailing. Whether he went out again on that particular ship or not, I do not know.

Mr. GARDNER. What was the significance, to your mind, of this young man whom you have said you know was not competent for his job? What was he rated at; as a deckhand, was it? What was his rating?

Mr. OLANDER. He was given a rating of "Watchman, O. K."

Mr. GARDNER. Is that the highest rated watchman—"O. K."?

Mr. OLANDER. Well, "O. K." they assume to mean the same as "good."

Mr. GARDNER. First class?

Mr. OLANDER. First class.

Mr. GARDNER. Or "good" or "excellent"?

Mr. OLANDER. Something of that kind; yes—as being better than "fair." There were only two marks they used.

The significance of that lies in this, that under this system we find a boy who, neither in knowledge, experience, nor physique, is able to do the work on board of the ship. The system marked him up as "O. K." The other man is thoroughly competent. There can be no question as to his ability as a seaman. He is given a mark that bars him off the ships of one particular company and shows to all who may care to look that he has been barred off in that way. If he had been an absolute stranger to the Lakes and had not known the system under which they were operated he would not even know he had been barred off and would go around vainly trying to ship for a considerable time before finding it out.

Mr. GARDNER. The significance is this: I don't want to go into the question whether or not the company has a right to use certain efforts to exclude union men, you see.

Mr. OLANDER. Yes.

Mr. GARDNER. Or whether there should be a contest of wits between the men and the employers as to each trying to fool the other.

But what I do want to get at is whether in your opinion that system is partly carried out by giving men unfair ratings on their discharge, either too good or too bad. That is what I want your opinion on.

Mr. OLANDER. That is the way it inevitably works out. There may be some instances where the expression of opinion is about right, and others where it is wrong.

Mr. GARDNER. But you think there is a more or less deliberate idea that the man who has been formerly a union man will get a little the shade the worst of it on his discharge?

Mr. OLANDER. That is my opinion. But that would not make any difference with me in my general opinion of the plan itself. It is a repression of the spirit not only of organized seamen, but of individual seamen, whether or not he is a union man.

The CHAIRMAN. Mr. Gardner, before you came in Mr. Olander went into the subject, at great length, about the use of cards, and so on.

Mr. GARDNER. I heard that. That might be a question as to whether the men shall be union or not. What I wanted to get at was whether or not in your opinion there was unfairness practiced by these various lake carriers in giving them less good discharges than they were entitled to, for the reason that they had been affiliated with the union, and their sympathies were with the union.

Mr. OLANDER. Yes; I believe that that was the case in this matter of Christensen.

Mr GARDNER. That is what I wanted to know.

Mr. OLANDER. But that is not, from my point of view, the main thing in this plan.

Mr. GARDNER. I understand that. I understand what your point of view is. I am trying to get out for my own information as to whether in your opinion there is a diversity on their part in carrying out a plan which they probably would argue was right. For instance, take this young man from Conneaut. You said he was the son of the chief of police, if I recollect.

Mr. OLANDER. Yes. I can give you his name.

Mr. GARDNER. I asked you what you thought the significance of his discharge was. Is it your opinion that it was because his father was the chief of police that they gave him a better discharge than he was entitled to?

Mr. OLANDER. Not necessarily; no. I don't know just what caused that. To me it was simply the operation of the system. It might have been this. I am certain there are captains of lake carrying ships who, in preference to giving a man a mark that would result in blacklisting him, would prefer to give up their own positions.

Mr. GARDNER. I quite understand.

Mr. OLANDER. There are men who won't do that, and there are those who will. And you only need one rotten apple in a barrel to cause trouble.

Mr. GARDNER. I was trying to find out whether, in your opinion, it is true that lake carriers gave unfair ratings or discharges because they wanted to give the short end of the stick to men whose sympathies were with organized labor.

Mr. OLANDER. Oh, they would go further than that, unless on occasions when they are short of men, and if they knew, as in 1908, that a man was a union man, that settled him. He then could not secure employment.

Mr. GARDNER. That is done openly. That involves a different principle entirely. I might disagree with my employer absolutely on conditions of employment, and yet he would not be entitled to say I was a drunkard or to refuse to give me a certificate of character, or refuse to give me a certificate of ability, because I disagreed with him from a union point of view.

What I want to get at is whether the fact that the man was a union man, or that his sympathies were with the union, led the employer to give him a false record of his capacity.

Mr. OLANDER. There can not be very much of that going on, because there are not very many people belonging to the union that have gone aboard the ships. There can not be many of them induced to go to the ships. But the purpose of the whole plan is to prevent the men from getting together, to prevent them associating together for the purpose of bettering their conditions, which opposes the right of the men to help themselves.

Now, then, to our men on the lakes it is a very serious matter, particularly a serious matter because of this fact, that among the unlicensed men—that is, the sailors and firemen, deckhands and oilers—there is not one man on the whole chain of lakes now who earns sufficient money upon which to support a wife and family, and even the humblest kind of a home.

The men organized and were standing together with the view of gradually increasing and bettering their conditions, until they could arrive at a state where they could live as men ought to live, have the same kind of connections, and assume the same responsibilities, if you please, that other men assume.

Now, here we have a system up here on the Lakes which, if successful, will be fastened upon us, under which all these men, if they propose to remain at the calling, must give up all hope of having any kind of a home life of their own.

There is not a deck hand, there is not a wheelsman, there is not a fireman, there is not an oiler on the chain of Lakes that earns sufficient to support a family.

Mr. GARDNER. What do they earn?

Mr. OLANDER. The firemen, oilers, wheelsmen, and watchmen earn $50 a month for about five months in the year and $65 a month for two months in the year, with some of the vessels paying $55 for the first period. But the possible length of employment reduces that. They can not obtain employment over seven months. The greatest possible employment they may obtain, assuming that the ships are operating steadily throughout the season and that it is a fairly good season, is seven months in the year.

Mr. GARDNER. What do they do the other five months?

Mr. OLANDER. They pick up jobs wherever they can. Large numbers of them work in shipyards. Others get various positions in building trades. Sailors are handy men as laborers anywhere. They make a more useful man than the ordinary common laborer, and manage to get along in that kind of shape. But even with that, assuming they manage to pick up jobs in the winter time, they do not get enough to support a wife and family.

Mr. STERLING. Are many of them married?

Mr. OLANDER. In 1907, when our men were all pretty well employed, that is, the men of our organization, and most of the men

on the particular class of vessels I am talking of now, were in the union, so that we could reach them all, about 3 per cent of them were married men. I don't know what kind of shape their families were in. I knew some of them personally, and the women went out to work themselves.

Mr. STERLING. About what proprtion of time were these men on vessels and what time on shore?

Mr. OLANDER. When the season of navigation is on there is not much opportunity to visit at home. Among some of the independent shippers you sometimes get two or three days in port, and you would have some opportunity then.

Mr. GARDNER. Do they contribute to the cost of their victualing while on board?

Mr. OLANDER. If you mean by that, if they got in addition to their pay also their board, I would say yes; but they worked for it, however.

Mr. GARDNER. I asked if they contributed to the cost of it in any way. I come from a coast district in which, as regards the fishing fleet, for instance, when things are mostly on shares, there is a contribution to the cost of board for the crew.

Mr. OLANDER. That only occurs where the work is done on shares, you see. That is the only place at sea that anything of that kind occurs, that I ever heard of.

Mr. REED. There is nothing like that on the Lakes, is there? The men are not assessed in any way for their board and keep?

Mr. OLANDER. They work for it. It is earned in addition to the wages they earn. And that is so in all employment of that kind, except in the fishing industry, where men work on shares.

The CHAIRMAN. You started to explain these photographic copies of bulletins, and one of them you read by itself. That read without the other would be unfair to the Steel Corporation, and I desire to be fair. I believe there has been some criticism of the chairman in that respect, not by any party to the hearing, but in the press.

Mr. REED. I have read the second bulletin, Mr. Chairman, and I quite appreciate your fairness in desiring it to be read.

Mr. OLANDER. It is my desire to read it.

Mr. GARDNER. It is my fault. I took you back to the Christensen case.

Mr. OLANDER. I read the first bulletin, which attempted to cut off the increase on the 1st of October for the balance of the season, and pay it to men who had been on one ship all season. Under the best conditions that meant only a very few of the men.

The other bulletin is headed "Bulletin No. 4," issued by the same company, and dated "Cleveland, Ohio, August 1, 1909." The first paragraph has a subject heading of "Fall wages," and reads as follows:

> Changes in the crews on our ships have been made necessary this year on account of the labor troubles. We will therefore not attempt to put into operation the plan of continuing the summer wages until the ships lay up and paying bonus. You may advance your crew's wages October 1, the same as last year, namely—

And then they go on and give the regular scale. The only thing that prevented a reduction of wages there was the fact there was a labor trouble; that is, that there was a strike of union men who were fighting the system.

The CHAIRMAN. What was the extent of that proposed reduction?

Mr. OLANDER. The effect of that would be to take about $30 apiece from all of the men who would be employed in the positions of wheelsmen, watchmen, firemen, and so on, at that particular time.

The CHAIRMAN. How much was it a month?

Mr. OLANDER. $15 a month.

Mr. REED. They got that $15 a month if they worked continuously, I think.

Mr. OLANDER. If they worked continuously, yes.

In the case of marine firemen that is very nearly an impossibility; and it is particularly hard for any of the men on ships of the Pittsburgh Steamship Co., for the reason that they make such time that they are in port only a comparatively short time. I believe that they would not average much during the entire season of more than 12 hours in port at each end of the route; perhaps a little bit more than that for the entire season, and that is a good deal better time than any independent shipowner can make.

Mr. STERLING. When they are in port do they do the loading, or are they off duty while the ship is being loaded or unloaded?

Mr. OLANDER. In the ore trade the seamen do not work cargo, but it is the general practice to require all hands on deck, the deck crew, regardless of whether it is their watch below or not, to handle the ship. At the loading dock they have to keep shifting or moving the vessel all the time. At the unloading dock, or when lying waiting at the loading dock, there is all kinds of repairing that has to be done, painting and scraping, one kind or another; fixing the gear, overhauling the steering gear, and doing all of the things necessary for the upkeep of the ship. A vessel may arrive in port at 6 o'clock in the morning. Half of the crew have then stood a 6-hour watch. They will all remain on deck as a usual proposition, with some exceptions to this, all day, and the possibility that at 6 o'clock they may go out and the other half of the crew stand another 6-hour watch at sea. In that situation both sections of the crew put in 18 hours continuous work without rest. Their working hours exceed considerably more than 12 hours a day.

Mr. STERLING. In a trip, for instance, they have men at the engine and at the wheel, of course. Those men work 12 hours, do they? They have two shifts in the 24 hours?

Mr. OLANDER. Yes; that is, they work 12 hours straight. That is not 12 hours including meal hours, but it is 6 hours at the wheel, then 6 hours off duty, during which you take your meals and get your rest and attend to any other personal matters you have, subject to call all of the time.

Mr. GARDNER. Are the watches 6 hours on the Lakes?

Mr. OLANDER. Yes, sir; 6 hours on the Lakes, and they are cruel watches. A man standing 6 hours at the wheel——

Mr. GARDNER. It is 4 hours on the coast.

Mr. OLANDER. It is 4 hours on the coast and almost all over. A man standing 6 hours at the wheel is pretty tired when he gets through. Although he may have steam steering gear, and not much physical labor, he has to watch the compass pretty closely. Our ships out there require the use of great care, and they are under a strain all the time. Some of the companies are trying to make a change in that and carry 4 wheelsmen, stating that their purpose is to overcome

that great strain. Their real purpose is simply to break in more wheelsmen, because a condition is being created up there whereby they can not get men enough to man their ships. They do not want to say a man shall have the right to organize, that the men shall speak for themselves. They do not want to agree that the men shall have freedom, the right of assembly, the right of petition, the right of free speech. They insist that the men shall give up all of those things. They find the class of men who have been brought up on the Lakes, most of whom are Americans, won't agree to that, so they are getting other men in there. They find the men who can not speak English, the Poles and Hungarians, will not do aboard the ships, and they are bringing another type in——

The CHAIRMAN (interposing). I will ask you to explain how these assembly rooms are operated, and to what extent the freedom of action of the seamen is affected. Explain the previous condition and the present condition and the character of men that are in charge of those rooms, whether they are sailors, whether these rooms are used to ascertain whether or not a man is a good sailor, or can be so used.

Mr. OLANDER. The shipping-office system, or the assembly rooms, compels the men seeking employment to congregate around those particular offices, to congregate in that particular locality.

Previous to that, during the time, for instance, when we had agreements with various employers, the rule was a man could ship wherever he could get a ship. He could go and look for it himself. The officer of a ship could go and look for him. They could meet him on the street, go to his home, if he had one, or to the place where he lived. A good deal of shipping was done by men who knew that a ship wanted men and happened to know the captain or other officer, and went down to that ship and applied for a position.

A number of masters would use the union office for the same purpose, in finding some union man that they wanted, telling his name, and if the union official knew where he was, he would go out and look him up and tell him that Capt. So-and-so wanted to see him. Men were given a chance to move around freely.

The result of that system was that in a few years they moved away from the docks, and away from the water-front boarding house.

The CHAIRMAN. What sort of a place is that?

Mr. OLANDER. The water-front boarding house is a cheap lodging house run in connection with a saloon; both being part of one business, and a man being expected to patronize both the saloon and the lodging house. There is no other place to sit during the daytime. There were exceptions to this rule, you will understand, but I am speaking of it as a general thing. There was no other place to sit in the daytime except in the barroom.

With the increase of wages the union secured from time to time—that is, the men through the union and the union is simply the men—the condition got better. They were given more of a chance to move around freely; they were encouraged to do that. They got to talking over these things in their meetings, and as a result moved away from the water front, and began to scatter about the city in the various ports. It made a great difference in the men, and made a great difference in their general character, and improved them all around.

Now, then, these shipping offices are bringing back that old situation. It is a mighty old method of handling seamen that exists, to a

large extent, along the Atlantic coast now—bringing them back to the water front and herding them into this particular kind of lodging house.

It serves to make them a class separate from the rest of the people. The seaman is a little bit different from other workmen, in that his work takes him away from society itself, as it were. He not only leaves his home in the morning like other workmen do, or like a railroad man leaves his home town, but he goes out of the port entirely, where there is no other kind of people except people like himself. And the tendency of this centralization of shipment is to make them a class distinct by themselves, to deprive them of having any families to whom they would be responsible and who they would have to look out for because of the love that they might have for them, thus taking away the incentive to fight for themselves.

The right of organization is taken from them, and then this centralization of shipment is brought in, and the result is to draw them right back to the water front and into these particular lodging houses, many of which in past years might very well be characterized with the name "dives," not fit to live in.

Mr. YOUNG. Now, these assembly or shipping rooms, as you call them: Are there any opportunities for social intercourse, where the men can be by themselves?

Mr. OLANDER. That is just it—among themselves only. That is all they can do. They can meet and talk with each other, being careful not to talk trade unionism. That is a forbidden subject.

Mr. YOUNG. When they do that are they under any espionage?

Mr. OLANDER. There is a shipping master in charge; from one to two in charge of these offices.

Mr. YOUNG. Is he in the room with the men, so that he hears everything they say?

Mr. OLANDER. He mixes in among the men. He does not stand over and watch them all the time, but he mingles in among the men. He is in a position to hear what is going on there.

The CHAIRMAN. What character of men are the shipping masters? Are they old sailors?

Mr. OLANDER. I do not know many of them personally. I only know one of the men in that position who has been a sailor. There may be more. I believe the man in charge of the Duluth offices has been a sailor at one time. I know of one or two of the others, where one has been a private detective, or a private policeman, and the other one, who is in charge at Buffalo, is an ex-prize fighter.

These men are expected to be somewhat of thugs, fist fighters; they are not expected to be seamen. The claim is made by the Lake Carriers' Association that this welfare plan is for the purpose of getting good men to their ships.

Now, they do not examine the men in the offices. They make no attempt to ascertain anything about their seamanship other than to ask them one question, "How long have you sailed?" and that is all.

So that in reality their statement that the plan is for the purpose of ascertaining the fitness of men before they go aboard, so far as seamanship is concerned, is not correct.

Mr. YOUNG. You stated you had been connected with this Lake Sailors' Union for 10 years?

Mr. OLANDER. Yes, sir.

Mr. YOUNG. Had it existed for years before that?

Mr. OLANDER. Yes. The Lake Seamen's Union was organized in 1863.

Mr. YOUNG. Has it had a continuous existence since then?

Mr. OLANDER. Yes; not always a prosperous existence, but a continuous existence.

Mr. YOUNG. Have you not kept some record during that time showing the wages from year to year that were paid upon the Lakes?

Mr. OLANDER. Yes; we have.

Mr. YOUNG. You have those records?

Mr. OLANDER. We have not absolute records in the matter, because at times men would be in the office who did not see the importance of such records.

Mr. YOUNG. But you have them more or less complete?

Mr. OLANDER. We have fair information upon the subject.

Mr. YOUNG. Could you furnish those to the committee, showing from year to year what those wages have been?

Mr. OLANDER. I could not give you absolutely correct figures, but I could give you approximately correct figures for a period of about 20 years.

Mr. YOUNG. Will you do that?

Mr. OLANDER. I will be glad to do that.

Mr. YOUNG. We will be glad to have them.

Mr. OLANDER. When you get them and look at them you will find that the increase came only when the men were given the right to help themselves; that is, when they had a right to associate together for the purpose of helping each other, forming a trade-union.

Mr. GARDNER. What years were those?

Mr. OLANDER. The last reorganization took place beginning in 1899.

Mr. GARDNER. The last organization of the Lake Seamen's Union?

Mr. OLANDER. Yes, sir. And by 1903 the wage scale, somewhat similar to the one I have just quoted, had been adopted, and that meant that the wages which had existed a few years before that, some years before their reorganization, one or two years before that, had been practically doubled. Wheelsmen and watchmen used to get from $20 to $25 a month, and deck hands from $12 to $15. You can imagine the kind of existence that we led.

Mr. YOUNG. You spoke of these men during the winter getting jobs around. Does the association or union perform services for the men in that respect? Are they looking out for them and trying to assist them in getting jobs through the winter? Is that part of the work you do?

Mr. OLANDER. Our experience in that matter is this, that each winter employers who are looking for men very often call up our offices. They do that in most of the cities. Let me say that that condition grew up without any particular effort on the part of the union. The fact that people around the Lakes knew that the sailors were not employed was what made them call upon us.

Mr. YOUNG. You are the center with which they can communicate, and you can communicate with the men?

Mr. OLANDER. Yes.

Mr. YOUNG. And that grew up naturally?

Mr. OLANDER. That grew up naturally; yes, sir.

Mr. YOUNG. So that you are somewhat in touch with these men during the winter and know what they are doing, to a considerable extent?

Mr. OLANDER. Yes; because we were holding meetings of the union in all the ports. Men would attend those meetings. We had very large meetings of men once a week, and men who were working on shore would come there and take part in the preparations for conducting our association. We are in constant touch with them all the time.

Mr. YOUNG. You spoke of some of them working in shipyards. Could you form a judgment of about what portion of them get employment in shipyards during the winter?

Mr. OLANDER. That would have to be purely a guess.

Mr. YOUNG. Could it be a pretty close guess, or would you have anything to base it on?

Mr. OLANDER. Nothing except the number of shipyards, and a general idea about the matter, from a recollection of the number of sailors who have been employed in shipyards when I, myself, have been employed there. I would say, at a guess, about 700.

Mr. YOUNG. Altogether?

Mr. OLANDER. Yes.

Mr. YOUNG. How many sailors are there on the Lakes? You have stated when all these ships were manned it would take about 10,000. But they have not all been manned of late years. About how many sailors are there actually engaged on the Lakes?

Mr. OLANDER. I should say a deck crew of seven to eight thousand; probably a little more.

Mr. YOUNG. And about what proportion of these belong to the union?

Mr. OLANDER. Just now about one-half. On the Lake Carriers' Association ships practically all the men are nonunion. So practically about one-half would belong to the organization. The organization's membership has dropped considerably, because such a large percentage of men have left the Lakes. I estimate there are employed in the building trades in Chicago now about 1,500 men who were formerly sailors—1,500 of the best of them—that will never go back sailing again unless conditions are made very much better. We could never induce them to go back except under improved conditions. We have lost those men.

In order that there will not be any charge of unfairness against my statement of this wage question, I would like to add just a little bit to it, Mr. Chairman.

Bulletin No. 1 shows an attempt, following the welfare plan, to cut the wages. No. 2 shows that labor troubles—that is, the unions—prevented that.

Now, since that time, the shipowners have found it necessary to increase their wages even above this scale, because of the fact they were unable to get men to work under the conditions.

The CHAIRMAN. What is paid to wheelsmen on the Lakes and in the coastwise trade?

Mr. OLANDER. On the Pacific coast they average about the same per month as on the Lakes, with this advantage to the Pacific coast sailor, that he is employed 12 months in the year.

The CHAIRMAN. What is the scale on the Lakes for a wheelsman?

Mr. OLANDER. It runs from fifty to fifty-five dollars a month for

the first period of five months, approximately five months, and to $65 for the ending of the season.

Mr. REED. That is the scale in force this year?

Mr. OLANDER. That is the scale in force this year.

Mr. REED. How about the Atlantic coastwise sailors?

Mr. OLANDER. That is considerably below that.

Mr. REED. About how much?

Mr. OLANDER. The Atlantic coast quartermaster, I believe, gets about either $35 or $40 a month. He is employed all the year around, and has just begun to have an effective organization of his own, which has raised the wages.

Mr. REED. How about the trans-Atlantic?

Mr. OLANDER. I am not certain about that; I think, if anything, they are less.

Mr. REED. Still lower?

Mr. OLANDER. I think so.

The CHAIRMAN. One question, and the committee will stand adjourned. Is there any way for a man to secure employment on these Lake Carriers' Association boats, including the Pittsburg Steamship Co., except by going through these assembly rooms of the Welfare Association?

Mr. OLANDER. There is not any. Even though a master of an independent ship, with its owner back of him, may pick up some fellow that he wants to take along with him, he may be allowed to have that man, but he has got to take him to the shipping office before he is permitted to take him. I speak of my own knowledge in this matter. I have seen numerous cases of this kind that have occurred very recently.

Mr. BARTLETT. I understood you to say that the Pittsburg Steamship Co., which is a subsidiary to the Steel Corporation, is a party to this Lake Carriers' Association?

Mr. OLANDER. Yes.

Mr. GARDNER. I would like to ask just one question. Are there United States shipping commissioners at those ports?

Mr. OLANDER. No; there are no United States shipping commissioners there. But the Lake Carriers' Association have changed the name of their shipping masters to "commissioners," and they put that on their caps. It serves as a trap to the men who have come up the coast and do not know the conditions. They think for a little while they are talking to a United States commissioner. But there are no such shipping commissioners up there.

The CHAIRMAN. The committee will stand adjourned until tomorrow morning at 10.30 o'clock.

Whereupon, at 1.30 o'clock p. m., the committee adjourned until to-morrow, Friday, February 9, 1912, at 10.30 o'clock a. m.

No. 46

UNITED STATES STEEL CORPORATION

HEARINGS

BEFORE THE

COMMITTEE ON INVESTIGATION OF UNITED STATES STEEL CORPORATION

HOUSE OF REPRESENTATIVES

FRIDAY, FEBRUARY 9, 1912

WASHINGTON
GOVERNMENT PRINTING OFFICE
1912

UNITED STATES STEEL CORPORATION.

COMMITTEE ON INVESTIGATION OF THE
UNITED STATES STEEL CORPORATION,
HOUSE OF REPRESENTATIVES,
Friday, February 9, 1912.

The committee this day met, Hon. Augustus O. Stanley (chairman) presiding.

The CHAIRMAN. The committee will come to order.

STATEMENT OF MISS MARGARET F. BYINGTON.

The witness was duly sworn by the chairman.

The CHAIRMAN. You have, I believe, Miss Byington, made some study of the conditions prevailing in the homes of steel workers in Homestead and other places.

Miss BYINGTON. Yes.

The CHAIRMAN. Under whose auspices were those investigations made?.

Miss BYINGTON. I was a member of the staff of the Pittsburgh Survey.

The CHAIRMAN. The same survey with which Mr. Fitch and Mr. Harrison are associated?

Miss BYINGTON. Yes, sir.

The CHAIRMAN. The history of this survey is in the record. Have you ever written anything on the subject?

Miss BYINGTON. Yes; I have written a book on Homestead, which was published.

The CHAIRMAN. Was that book submitted to the United States Steel Corporation before publication?

Miss BYINGTON. I am sorry to say I don't know. I think not, but I am not sure.

The CHAIRMAN. Explain to the committee to what phase of the industrial problem your attention was directed.

Miss BYINGTON. Mr. Fitch made a study of conditions as to hours of work and wages in the steel industry. My effort was to make a study of the actual cost of living and of the home conditions of the steel laborers, not simply the laborer, but all the men employed in the steel industry.

As Pittsburgh proper was so large an area, it seemed simpler to take one of the smaller towns which had definitely grown up around a steel mill. So Homestead was selected, which is a few miles from Pittsburgh, with just about the same conditions as to prices of food and rent, but where it was a smaller and easier community to study.

I got 90 families to keep for me a detailed account of all their ex-

penditures for a period of from four to eight weeks; so that we might have some definite figures, not as to a theory of how much it probably cost to live in Homestead, but figures showing what actual households had to spend during that given period.

I also visited each of these families every week, so that I had a fairly intimate knowledge of not simply what they spent, but what they got for the money that they did spend.

Mr. REED. What class of families were these?

Miss BYINGTON. They covered pretty much the whole range of the workers in the industry; that is, I had a good many Slav laborers, some colored families, quite a number of the Scotch-Irish, Welsh, and German, the older immigrants, and a fairly large group of the Americans, who were the better paid men. So that it included both the main groups of nationality, and the wages of the laborers who were getting less than $10, up to the men who are making $25 a week.

From the budgets of these four groups we drew some averages, showing what the general expenditure in each group was.

Shall I read those figures, Mr. Chairman?

The CHAIRMAN. Yes.

Miss BYINGTON. I took at the start the families spending less than $12 a week, which is practically the laborers' group. They were then getting from $9.90 to about $12, depending on whether they worked 6 or 7 days, and 10 or 12 hours a day, but all of the labor group came under $12.

The figures, as I found them, for the group, showed that they spend $1.88 a week, on an average, for rent. That means, to translate it into terms of what they got, two rooms in an insanitary court.

Most of these laborers live in the ward that is nearest to the mill. The houses in that section are built in brick blocks of three or four houses to the block, one row in the alley and one in the street, with a small brick-paved court in between.

There is no running water in those houses. Sometimes from 5 to 20 families have to use the one hydrant which is out in this court. There are no indoor toilets. There is an unflushed vault in the back yard, or in this same open court, which is only flushed by waste water which the families pour out in the court.

Of course, in winter it is not so impossible, but in summer the sanitary conditions become pretty intolerable. As a result I found that the death rate in that ward doubled the death rate in the wards on the hill where the better-paid men lived, for I found the exact birth and death rates, and I found that for every three children born in Homestead in that year one died before it was 2 years old.

Of course, that situation is complicated in part by the overcrowding within the rooms. As a matter of fact, owing to the low wage and to the number of single men who are employed in the mill, most of these families take lodgers.

I may use as an illustration one family where I visited, where there was a man, his wife, and two small children living in two rooms in one of these courts. The bedroom upstairs was used by the men alternately, the man himself being on the day shift, and the two boarders on the night shift. So that they used the bedroom in the daytime and the family used it at night. It is obvious there are some moral dangers as well as physical dangers attendent on this kind of family living. And yet, as you can see, $1.88 a week does not provide anything better.

The CHAIRMAN. For what?

Miss BYINGTON. For rent. It does not make it possible to get anything better than that, of anyone is to have anything left for the rest of the living expenses.

The food expenditure of these families making less than $12 a week was $4.16 a week for the family.

A scientific estimate has been made by one of the professors at Yale that the most thrifty housekeeper can provide food for an adult man for 22 cents a day.

The CHAIRMAN. That is, wholesome food?

Miss BYINGTON. Wholesome food, such as would maintain physical efficiency. This $4.16 for a family of man and wife and three children would provide 18 cents a day, 4 cents a day less than what is recognized to provide the necessary physical food.

As a matter of fact, that 22 cents means that you must be an exceptionally thrifty housekepeer and you must buy only food that has nourishing value. The Slavic housewives are not always thrifty, but even the best of us occasionally would like something to eat that tastes good, even though it may not be nourishing.

So 22 cents means very rigid economy for the average household, and these families live for 4 cents a day below that.

The other items are harder to estimate, whether they constitute a normal standard. As a matter of fact, they spend on an average 9 cents a week for furniture, which makes $4.50 a year, and which obviously would provide nothing but the very meagerest articles of furniture, as their houses bear witness.

Clothing at 94 cents a week means approximately $50 a year, which, for a family of five, is obviously not extravagant.

Fuel at 38 cents a week means soft coal and not natural gas, which is what any family in Homestead that can afford it uses.

The insurance item, interestingly, is very high. Even the families with an income of less than $12 a week pay 70 cents a week in insurance.

The CHAIRMAN. Insurance?

Miss BYINGTON. Yes.

The CHAIRMAN. On what?

Miss BYINGTON. Life insurance; not furniture insurance. Most of these people belong to fraternal orders, and do not insure in regular life insurance companies. In one of the fraternal orders a 50-cent premium means about $1,000 death benefit, which would leave 5 cents a week for the wife and three children for a funeral benefit.

Mr. BARTLETT. Is that the only kind of insurance they have, in fraternal or beneficial orders?

Miss BYINGTON. Yes; very largely. Of course, the majority of that under $12 group are Slavic, and there are a good many Slavic benevolent orders connected with the different churches and different races, and they pay pretty high death benefits. I think it is about twice as cheap as regular life insurance would be in one of the regular companies. Of course it is correspondingly unsafe.

Mr. BARTLETT. There are a number of companies which engage in what they call commercial insurance, and send around their agents to laboring people to secure policies upon life as well as the health of the workmen, and they pay so much a week.

Mr. REED. That is what is called industrial insurance.

Mr. BARTLETT. Yes; that is what I mean.

Miss BYINGTON. As a matter of fact, the Slavs use that very little. In the first place they are a little bit afraid. They have been fleeced, a good many of them, one way and another, and they are a little cautious of insurance agents, about whom they know nothing. So, partly for the social side of it, they have largely organized these fraternal insurance orders.

The CHAIRMAN. Have they any organization other than fraternal organizations? Are there labor organizations among them?

Miss BYINGTON. No. There are no labor organizations at Homestead of any kind.

The CHAIRMAN. Do you attribute this desire for fraternal insurance in any degree to their inability to form any other character of organization, fraternal or otherwise, except for the insurance against death?

Miss BYINGTON. I think that they care a great deal for belonging to something that is friendly. As a matter of fact, they come over here and are pretty isolated. They are practically cut off from belonging to anything else in the community, and a natural sense of racial coherence makes them want to have some sort of an organization where they can meet and talk things over. It has taken this particular form of fraternal orders. Of course, another item is that they have no margin for sickness.

The CHAIRMAN. No what?

Miss BYINGTON. No margin to save for sickness. Of course, accidents are pretty frequent, even minor ones that do not warrant any formal compensation. But such accidents as a crushed finger or a twisted ankle are very frequent with steel workers, and a man may be out of work for several weeks, besides the ordinary danger of sickness. These fraternal orders give a fairly large sick benefit, as well as the death benefit. There is also that element which enters in, to make them prefer that to industrial insurance.

It also means a certain recognition when they go to another community. These are national organizations, and not local ones. They give cards, and if any man travels to another place to seek a job he takes a card from his fraternal order. It is very much the same principle as the ordinary fraternal association.

The CHAIRMAN. As I understand you, then, in so far as that organization is concerned, it supplies those benefits and that protection which is secured by a labor organization.

Miss BYINGTON. Yes; plus, of course, a larger amount of insurance than a labor organization would give. It is the two things together.

Mr. BARTLETT. There are certain kinds of labor organizations, like those of conductors and trainmen, that also have these benefits, which they give to their members, death and sick benefits, and also insurance benefits, are there not?

Miss BYINGTON. Yes; although not to the same—I ought not to answer that, because I am not sure whether they ever give as much as a thousand dollars.

The CHAIRMAN. Most of the labor organizations have very little insurance features about them, except, of course, in connection with dangerous businesses.

Mr. BARTLETT. Yes. I referred to conductors and trainmen.

Miss BYINGTON. I secured the figures from about nine of the Slavic benefit societies, which were active in Homestead, some of them having four and five hundred members in Homestead. Those figures were hard to get definitely; that was simply as far as I could find out

about them, which indicates, in a town of 25,000, a pretty good development of that form of insurance.

The CHAIRMAN. You have described the startling sanitary conditions at Homestead, especially among the children. Did you notice in your investigation in this region the physical appearance of the children of these laborers, whether they were ruddy and well nourished, what opportunities did they have for schooling and exercise? What was their general appearance, character, and condition? I would like you to tell the committee what you noticed.

Miss BYINGTON. The babies are pretty white. There is not a great deal of fresh air and sunlight down in that second ward. The mill property comes more or less like that [indicating] around two sides of the second ward. Of course, the smoke is very heavy, and it is pretty depressing atmosphere there. I stayed there six weeks and had to go to a sanatorium, so I speak feelingly on the subject of the effect it has on one's physical well-being to live in that smoke-laden atmosphere.

The CHAIRMAN. It is on the banks of the river, and there is a high bluff on either side?

Miss BYINGTON. Yes. The river runs along here [indicating], and there is quite a steep hill over here [indicating]. Originally, when the mill was small, the mill and town occupied a level space in here [indicating]. But the mill is taking in steadily more property in that level spot. Of course, as the mill grows the population is growing, and consequently there is less and less of level space for the people to live in. This hill is a very, very steep hill to have to climb, so that there is a tendency to a congestion of population down there on that little level space, to get away from the steep hill.

Then, of course, there is a bluff on the other side of the river, and that means the smoke stays rather heavily between these two bluffs. As a matter of fact, Braddock, Duquesne, and McKeesport are towns above Homestead, and they are all steel towns. So if there is any wind either up or down the river it is carrying smoke both ways.

The CHAIRMAN. And the fumes from the furnaces?

Miss BYINGTON. Yes. Incidentally, while I am talking about the river, I might mention the fact that Homestead gets its water from the Monongahela River. Connellsville and McKeesport, the two cities next above, empty their sewerage into that river. Practically all water, they say, gets used up in the processes of steel making before it gets down and that puts so much sulphuric acid into the water that it kills the water and there is practically no typhoid in Homestead. But somehow the idea of sulphuric acid plus sewerage in water, even though it does not produce typhoid, is not alluring.

They have a filtration plant, but it is not adequate. One of the physicians in the town, a member of the board of health, told me that when the filtration wells were not adequate they just pumped the river water right in. Nobody drinks it, practically, if they can help it. The poorer people do have to, but where it is possible they filter it. Of course, the families who can afford to do so buy straight bottled water.

Mr. BARTLETT. How far are those towns above this place, that empty their sewerage into the river?

Miss BYINGTON. McKeesport, I should say, was 10 or 15 miles above.

Mr. BARTLETT. Is that the nearest?

Miss BYINGTON. There are two small towns, Braddock and Duquesne, in between. McKeesport has a population of about 50,000, Connellsville, which perhaps is a ride of one hour up the river, has about 25,000 population.

Mr. BARTLETT. The nearest is about 10 miles?

Miss BYINGTON. Yes, except for the two other villages.

To go back to the children, there is not any place to play in the second ward. Of course there is plenty of play space at the top of the bluff. The town of Homestead itself extends about to the top of this hill and a little way over. There is plenty of space if you get back into that country, but it means a pretty long climb for little tots, so that practically the small children have no place to play in but these courts which are already preempted by the sanitary arrangement of the household, and it is not much of a play space.

As far as the schools are concerned, the public schools of Homestead, I think, are very good. Munhall, which is the borough where the steel mill proper is, is still better. But the trouble with the Slavic children is that, as a matter of fact, most of them go to parochial schools, and some of those are pretty poor.

Each of the nationalities has its own parish. There is the Polish Church, the Lithuanian, the Slavic Church, and the Hungarian Church. Each one of those has its own parochial school, where the children are largely taught in the language of those people. I think it is one of the unfortunate things, since it means that the Slavic children are not getting to know English very much or to come in contact with other people in the community.

Mr. YOUNG. They would be taken into the public schools if they would go.

Miss BYINGTON. Oh, yes; it is personal preference that the church keeps hold of them.

Mr. REED. There is a very excellent training school in Homestead.

Miss BYINGTON. There is manual training in the public schools and there is the Schwab School. The Schwab School is very excellent, and children from the ninth grade of the parochial schools are allowed to go there, so that they get that advantage of the public schools.

The CHAIRMAN. You have spoken of the condition of the children. I would like you to describe the condition of these homes. You have already referred to their overcrowded condition. Explain about that, please. How many people stay in a room; how many rooms there are in the average house; the condition as to cleanliness and privacy, and all that sort of thing.

Mr. REED. Does the chairman still feel that this is relevant to the inquiry authorized by Congress?

The CHAIRMAN. Yes.

Mr. BARTLETT. What did you say?

Mr. REED. I asked the chairman if he thought that testimony as to where the Slavic children played, and other things in connection therewith, was relevant to the inquiry authorized by Congress.

The CHAIRMAN. That is just simply an incident.

Miss BYINGTON. I made a special study of about 20 of these courts in order to get the facts as to the general conditions outside of the individual families that I was visiting.

Mr. BEALL. Were you looking for extreme cases when you were making that investigation?

Miss BYINGTON. I think perhaps the way I got the families would indicate that I was taking what I could get. The Slavic families were secured for me by one of their own people. She had been an interpreter in the courts and was also an interpreter for the mill. In dealing with the individual families she did not know what I wanted. I mean she had no background, she had no interest in social problems; she was simply hired by me to go and get accounts for me, because they trusted her and they would not have trusted me. They would have been suspicious of a stranger coming in. I left it entirely to her to pick out her families, except to say that I wanted to get particulnar types.

She belonged to one of the oldest and best-known Slavic families in Homestead. The people she knew were mostly her personal friends, and I would say that as far as the budgets were concerned, the people she was likely to choose were far above, or were at least above, the average Slavic family in Homestead. The other families I took as I could get them from clergymen. I had to have some introduction. As you can imagine it was hard to go in and ask a person to keep details of their family expenditures. It was a little difficult to say the least. I got the clergymen to take me to what they considered merely representative families in their parishes. Then they referred me to their friends——

Mr. BEALL. Now, the description you are about to give as to the condition of these courts—are those in your judgment representative cases?

Miss BYINGTON. No.

Mr. BEALL. Or are they extreme in any way?

Miss BYINGTON. No. These courts were, I should say, probably the worst things in Homestead. In that case we were definitely attempting to find out how bad it could get. They were representative of the worst. I mean, we did not pick out all the worst ones, but they do represent the worst conditions in Homestead.

In those 20 courts there were about 239 families, and of these 102 were taking lodgers. It was among those 102 families that we found the worst conditions.

Seventy-one of those 102 were living in two rooms, so that there a third of the families in these courts lived in two rooms and still took lodgers. That of itself is sufficient indication that the conditions were distinctly undesirable. One can not possibly have a family and live in two rooms when you have lodgers at the same time.

Mr. REED. These were all Slavs, were they?

Miss BYINGTON. Yes. It means a practically impossible burden for the housewife. It means demoralization morally, I think, in many instances, and it certainly means overcrowding.

The CHAIRMAN. How many people would you find, as a rule, living in the two rooms?

Miss BYINGTON. Of those 102 families I found all but 15 had three or more persons to the room. Of the families not taking lodgers, the remainder of the 239, about half had three or more persons to the room.

The CHAIRMAN. What was the size?

Miss BYINGTON. I should say about 12 by 14. I am not a very good mathematician, and I never measured one. They are small rooms. My recollection is that in some of them I saw four double

beds in a room. Where the single men were lodging in large numbers, you had to crawl over the beds. That perhaps will indicate the general size.

The CHAIRMAN. That is, one fellow had to crawl over the other fellow's bed to get into his?

Miss BYINGTON. If you got four double beds in.

Mr. REED. What is the rate of board paid generally?

Miss BYINGTON. For the single men they pay $3 a month for a room.

The CHAIRMAN. You mean for a bed?

Miss BYINGTON. Well, yes; for a bed; for a place to sleep. As a matter of fact, they do not board, they lodge, and the food arrangements are rather amusing. That is, the boarding boss buys food for the crowd and then divides it up. At the end of the month each man pays his share. Then if he wants any extra delicacies he can order them. They keep a special account and by an elaborate system they arrive, at the end of the month, at each man's share of the expenses for the household.

Mr. YOUNG. What does the board and food amount to ordinarily?

Miss BYINGTON. I have a budget of one family here, if I can find it. In this instance it was a little over $1 a week for food, perhaps nearer to $1.25.

The CHAIRMAN. For man?

Miss BYINGTON. For each man. The single men undoubtedly live very cheaply there, as you can see, with $3 a month for a place to sleep and $1.25 a week for food. That is cheap living, and they undoubtedly are fairly prosperous. Most of them are saving money either to send for their families, or to have a chance to get married over here.

Mr. YOUNG. Did you not get exact figures on some of these?

Miss BYINGTON. Of single men?

Mr. YOUNG. Yes.

Miss BYINGTON. I was not much interested in them, because I was really studying the family problem, rather than the problem of the single day laborer.

In this particular instance these men were paying $3 a month board and $1.06 a week for their share of the general amount, plus certain items for their own personal use, which averaged about $8 a month for their food. With $3 a month for their lodging, this gave them a total living expense of about $11 a month. That is just a single instance.

Mr. YOUNG. Then these extras were pretty nearly half of their expense?

Mr. REED. The extras mostly came in bottles.

Miss BYINGTON. This did not include the bottles, Mr. Reed. I kept the bottles in a separate expense account.

Mr. YOUNG. Have you that?

Miss BYINGTON. That is, how much they drink?

Mr. YOUNG. Yes.

Miss BYINGTON. Yes; and it is high among the Slavs, 10 families spending an average of 55 cents a week.

The CHAIRMAN. Speaking of the beer, is their beer taken with their meals?

Miss BYINGTON. Yes; practically all of them.

The CHAIRMAN. Can they afford on that wage to buy milk at the price at which it is sold at Homestead?

Miss BYINGTON. They do not buy it. Of course, they can not afford to get milk that is good. They pay mostly 5 cents a quart, which is milk that is not drinkable.

The CHAIRMAN. Is that skimmed milk, at 5 cents a quart?

Miss BYINGTON. Why, yes. I do not know that it is so treated, but if you look at it, it certainly is pretty blue.

Mr. BARTLETT. Skimmed and watered, I expect.

Mr. GARDNER. How much is beer in Pittsburgh or in Homestead?

Miss BYINGTON. I am sorry to say I don't know.

Mr. GARDNER. Is that more than 5 cents a quart?

Miss BYINGTON. I have not any figures whatever.

The CHAIRMAN. Do they have their beer with their meals?

Miss BYINGTON. What happens is this: As I think you all know, those people do use it pretty steadily at home, as part of their living, and in addition there is a good deal of drinking among the Slavs. A popular thing to do is to buy a keg of beer Saturday night and have a good time. They bring that home, and especially in the lodging house where the single men live, they buy it jointly and bring it home and have a high old time Saturday night. I think one has to accept at the same time the fact that there is no other kind of a good time those Slav men do have.

Practically the only entertainment that Homestead offers is moving-picture shows and vaudeville of the 10-cent kind. Of course, for anything that means a knowledge of English they can not understand, I do not imagine that moving-picture shows that concern themselves with American conditions, are very intelligible to them, although they do go somewhat. With that exception they have no other entertainment.

I would like to read, if I may, just two items from my book. As I say, this Slavic investigator of mine did not know what I wanted. I asked her to dictate some facts about the families, and she dictated this about their amusements. Here is one instance:

> They do not go to amusements of any kind on account of being so poor and feel so badly after they have finished their day's work.

Here is another one:

> The families have no amusements outside of their own home, simply because they can not afford it. They would like to be able to go to some place of amusement if they could, and spend their Sundays at home in a pleasant way. The mother and children go to church every Saturday evening to say the rosary, which is one of their chief pleasures.

It is a pretty narrow life for these Slavic families. Whether one agrees with their method of using what spare money, which they might use in another way, that is undoubtedly the thing they do; that is, to get together in the evening and play cards and drink beer.

Mr. YOUNG. The social element is a great inducement.

Miss BYINGTON. That is their way of having a good time.

The CHAIRMAN. Do you know what the Slavs take in their pails to the mills for their dinners? I was told by Mr. Fitch, I believe, that a Slav's dinner consisted of a herring, rye bread, and a modicum of beer. Did you investigate that?

Miss BYINGTON. I did not go into that.

Mr. BARTLETT. Did you investigate the condition of people who were not Slavs or foreigners?

Miss BYINGTON. Of course I have been giving the black side of the picture. The brighter side is the condition among the better-paid workingmen, who are Americans, who have perhaps as wholesome a home life as you would find anywhere.

Mr. BARTLETT. When you found an American family you found better conditions and higher wages, did you?

Miss BYINGTON. Yes. Of course there are a few Americans who are still drawing laborers' pay.

Mr. BARTLETT. Amongst those did you make investigations?

The CHAIRMAN. By laborer you mean unskilled laborer?

Miss BYINGTON. Yes, sir.

Mr. BARTLETT. Did you make some investigation along these same lines of the American laborers, either black or white, that got about the same pay that these people get?

Miss BYINGTON. Yes. The complication there is that I think most of the Americans who earn a day-laborer wage were not over thrifty folk. That is, the more intelligent Americans were undoubtedly the men who were in the higher grade, who were earning better pay.

Mr. BARTLETT. Probably that is not only true in this country, but in any country where the American goes, in labor.

Miss BYINGTON. Yes. Of course that means that the Americans who were making less than $12 a week, who were very, very few, were not the type of those who would be prosperous anywhere.

Mr. YOUNG. They were rather the ne'er-do-wells?

Miss BYINGTON. Yes.

Mr. BARTLETT. Were their conditions of home life about the same as amongst the foreigners?

Miss BYINGTON. I had one rather startling exception. I did visit one family where the man was working for $1.98 a day, and the woman was the daughter of a Pennsylvania Dutch farmer. They certainly did have a marvelous home on that much money. But she was the rare exception. She was a woman who had been brought up in, I suppose, the thriftiest group of people that the country affords, just about, and she has carried it into her home life there in Homestead. She did have a very thrifty home, but that was rather an exceptional instance.

Mr. BARTLETT. Then you think the manner of living is due, in a great measure, to the nationality? To what do you attribute this difference in the manner of living between the foreigner and the American who has the same opportunity and the same wages?

Miss BYINGTON. That is, I say this one woman was the exception. I should say there were so few Americans who were getting the low wage that you could hardly generalize on them. Most of the Americans I visited were people who were making from $2 to $4 a day. My data do not indicate especially racial differences, except in one particular, and that is that all the way through I found the American spent more money for rent and the Slavs spent more money for food. Apparently on these lower wages you could not have all you wanted of both, and the American had the standard of wanting some privacy

and decency in his home, even if he had to skimp a little on the food side, while the Slav had less idea of a sanitary and wholesome home, but was bound to have enough to eat.

The CHAIRMAN. The American puts up a decent appearance, even if he had to go hungry to have it.

Mr. BARTLETT. No; he was willing to make sacrifices in order to have a good home. That is the way I understand Miss Byington.

Miss BYINGTON. It is a question of whether you can live in a sanitary house on that wage and have enough to eat.

Mr. YOUNG. Was there any evidence that these Americans who did have better home conditions were illy nourished, or did not have enough to eat?

Miss BYINGTON. I do not like to generalize because I did not see enough of them, of Americans who were on the low wage.

Mr. YOUNG. Is it not true that the difference which you saw is largely a difference in intelligence?

Miss BYINGTON. I think it undoubtedly is, in a measure.

Mr. YOUNG. The American makes more of conditions, whether they are good or bad. He knows how to use what little or however much he may have better than the ordinary foreigner.

Miss BYINGTON. I think it is undoubtly true. Of course the exact amount of difference which that makes is very hard to tell unless you have known a much larger number of families than I know.

The CHAIRMAN. You have carefully analyzed these conditions; you have taken this $10 a week wage that is paid for common labor, whether done by an American or done by a Slav or by a German or a Pole, or what not, and you have generalized it from the expenditures of 90 families, each trying to get the most out of his money.

Now, from your experience, your practical experience, studying the accounts and visiting the homes, inspecting the homes, is it possible for an American, much vaunted as he is—the best praised and the poorest paid man in the world is the American laborer; I mean unskilled—is it possible for an American laborer, or any other laborer, on that wage, to have the comforts of life, and to have sufficient nourishing food and clothing that would protect his family from the elements, by any degree of economy, and by denying himself from pleasure and luxury?

Miss BYINGTON. No.

The CHAIRMAN. That is what I want to get at.

Mr. REED. Is that condition peculiar to the steel industry, or do you find it in all the other laborers, by whomever employed?

Miss BYINGTON. I should say that no man could ever do it on $10 a week, in so far as that is a laborer's wage.

The CHAIRMAN. In the city of Pittsburgh?

Miss BYINGTON. In the city of Pittsburgh. My figures, taken from the bulletin of the Department of Labor, comparing the cost in different cities, showed that the Pittsburgh prices were higher than those of any of the big cities of the country, higher than New York and materially higher than Chicago.

The CHAIRMAN. Have you tabulated any figures showing, either from your own investigation or the investigation of the bureau of charities, how much is necessary to provide for a man's wife and three children the bare necessities of life in the city of Pittsburgh?

Miss BYINGTON. The figures that I have, which may be interesting, are from the Chamber of Commerce of Pittsburgh. They show it takes $11.88 a week to provide proper food for a family of five.

The CHAIRMAN. Proper food, without anything else, without rent or clothing?

Miss BYINGTON. Those are the figures of the chamber of commerce as to prices in Pittsburgh. They made a careful budget of how much the family ought to have, and that amounts to $11.88.

Of course, I do not agree with the chamber of commerce. I think that is putting it higher than any day laborer's family ought to expect to go; but still it may indicate that the chamber of commerce does not think that $4.64 a week is an exorbitant amount to spend for food.

Mr. BARTLETT. Is not the desire of the foreigner to save money, so that he can return to the country from which he came, a reason why they live in these conditions?

Miss BYINGTON. They like to buy houses. They do save to go back; but I find more of them saving to buy houses.

Mr. BARTLETT. Is it not a fact that Americans who are receiving about the same wage as these foreign laborers prefer rather to expend their wage in having as comfortable a home as they can have, and is it not the disposition of the Slav to submit to those discomforts and privations so he can save his money?

Miss BYINGTON. I think that perhaps the taking of lodgers is somewhat to save money, and yet I found very much the same condition existing in families that had no bank account——

Mr. BARTLETT (interposing). You give an instance here in your book, on page 39. This is not the day laborer, however—

> Among the steel workers earning $15 to $19.99 were two Slavs and a Scotchman who were helpers at the open-hearth furnaces, an Irish machinist, one American with a good "pencil job," and another who did semiskilled work at the roll. The part which personal choice paid in spending when incomes are large enough to give some margin was illustrated by the families of the men in this group. Here an American on the clerical staff of the mills, with a clever wife and two small children, saved little, for they had chosen instead to have an attractive five-room house; there a Slav, with the same income and the same-sized family, lived in two rooms, which were shared by two lodgers, and already had a bank account of $400.

That would rather indicate where they received about the same wages that the American spent his in comfort, and the other in trying to save for some purpose his money rather than have his family in comfort.

Miss BYINGTON. The matter of saving is usually to buy a house. May I remind you that those cases are not day laborers. That is not a case where a day laborer is attempting to buy a house.

Mr. BARTLETT. It is true of men who get more wages and are able to do it, while these others lived in the same two-room house and kept lodgers——

Miss BYINGTON (interposing). There is undoubtedly a difference of standard in the two races, but it does not affect the fact that they can not, either of them, do it on the low wage. I mean that they can not either of them live normally.

Mr. BEALL. What is the lowest wage you know of that these foreigners receive?

Miss BYINGTON. I think only about 2 per cent of the Slavs in the mills are skilled workmen. I can not answer it definitely.

Mr. BEALL. Take one of the skilled workmen. Did you investigate to see how such people were living?

Miss BYINGTON. I know one or two rather prosperous Slav families, who were making rather a fair home. Two of them owned their houses.

Mr. BEALL. Did they take lodgers?

Miss BYINGTON. No. One of the families had a five-room house, and I believe they took two roomers.

Mr. BEALL. What conditions prevailed in that house?

Miss BYINGTON. May I ask you to look at a picture, on page 153, which is a picture of one of their rooms, the lower of the two pictures? It has quite fine leather covered furniture.

The CHAIRMAN. These Slavs, then, where they have the money, have no particular objection to comfort?

Miss BYINGTON. Apparently not.

The CHAIRMAN. They have no antipathy to living decently if they can?

Miss BYINGTON. That is true.

The CHAIRMAN. They live in this squalor, as you describe it, in these crowded and dirty beds and unhealthy places, because they either want to save to go back to Europe and get their families, or because they want to be able to provide a home and live here?

Mr. BEALL. This is a picture of a family that has been here for 20 years. Do you think that residence in this country, for that length of time, had any influence, any effect, on their mode of life?

Miss BYINGTON. I think so; undoubtedly. One thing that has to be taken into consideration with these Slavs is that most of them come from peasant villages in the old country, and I think they do not understand, when they first come, the difference between living in two rooms when it is in a village, with all outdoors outside, from what it is to live in two small rooms when you are crowded in near a court with many other people. If you take our own farming communities, for instance, certain of their sanitary standards are different from our own, because they are not in a crowded place. I think the Slavs have to learn that American standards are somewhat different and that city standards have got to be different.

Mr. BEALL. Have you ever made any investigation as to their mode of living in their native country?

Miss BYINGTON. No; I know very little about it.

Mr. REED. It is a fact that the death rate of south European nations is more than twice as high as that of the northern European nations; is it not?

Miss BYINGTON. I do not know.

Mr. REED. I saw that published in a newspaper yesterday.

In that connection I would like to call the attention of the committee to the fact that the British Board of Trade made an investigation into the relative cost of living in the various cities of the United States, and I have here an abstract of their report, which shows that the food prices in Pittsburgh are 3 per cent higher than those of Cleveland, 5 per cent higher than those of Baltimore, 6 per cent higher than those of Philadelphia, and 8½ per cent higher than those of Chicago.

Mr. BEALL. How much under the food prices in Washington?

Mr. REED. I do not think they investigated Washington, because there is not much work done in Washington.

Mr. BEALL. Have you ever made any investigation elsewhere as to the mode of living of people of about the same nationality engaged in other lines of industry at other places?

Miss BYINGTON. Not as to the cost of living.

Mr. BEALL. As to the condition of living?

Miss BYINGTON. Only in a general way.

Mr. BEALL. Take Philadelphia or New York or Chicago. Have you ever made any investigation as to the conditions prevailing there among the poorer class of people, so as to be able to institute a comparison between the conditions you are describing and the conditions that prevail elsewhere?

Miss BYINGTON. The only other experience I have had has been in doing charitable work. I was in the Associated Charities of Boston for four years, and was of course spending all my time in the homes of people who were actually dependent on charity. My work since then has taken me into a good many communities where I have simply made a cursory investigation of the conditions of living and not a detailed study that would at all serve as a basis for comparison with those at Homestead.

Mr. BEALL. You understand the purpose of my question was to try and determine whether or not there are some exceptional conditions prevailing among the workers in these steel mills, or whether a like condition exists among the people of that same general class elsewhere, engaged in a different line of work.

Miss BYINGTON. I have never seen such overcrowding and bad sanitation in any comparatively small community anywhere else. Of course, there is a great degree of congestion in New York; but for a small place it certainly is, in my experience, very exceptional.

Mr. BEALL. A moment ago, I think, you were interrupted. You started to give a description of the courts. Did you finish that?

Miss BYINGTON. I think I gave the main point, which was the extent of overcrowding there, the bad sanitation. I could go into details, but I presume it is enough to say that both water supply and toilet facilities are quite inadequate, and in many cases quite impossible.

Mr. BEALL. About how large are these courts?

Miss BYINGTON. A great many of them have four small houses on the street and four small houses on the alley.

Mr. BEALL. The court then having accommodations for eight——

Miss BYINGTON. For 16. The houses are two rooms deep and two stories high. One family lives on the street and one family on the court. Then there is a row of houses on the alley, and one family lives on the alley and one on the court. So that you get 16 families, with two rooms each, using this court in common. They usually have one hydrant in the court. The toilets are in an octagonal building in the middle of the court, with this unflushed vault, with one compartment for two families, which, of course, when used in common, is very apt to be in pretty bad shape. There is no method of flushing.

Mr. BEALL. I think I interrupted you before you answered the question as to the size of the court.

Miss BYINGTON. It would be the width of four of these small rooms; that is, there are four houses built close together, and the court is about square.

Mr. YOUNG. Is this court entirely surrounded by houses?

Miss BYINGTON. Yes. There are four houses here [indicating], four houses here [indicating], and a court in the middle. Then there would be a fence.

Mr. YOUNG. At the ends?

Miss BYINGTON. At the ends. Then you would have four more houses, another set of eight.

Mr. YOUNG. These courts are square, octagonal, so that there are four sides of the court?

Miss BYINGTON. Yes. There are houses on two sides and fences on the other two. Of course one of them I have made a special study of. There were houses on three sides, and a stable on the fourth.

Mr. BEALL. In addition to being used as a playground for children, and for toilet accommodations, what other uses are made of those courts?

Miss BYINGTON. Most of the families do their washing out there; they are very apt to when it is warm enough. It is everybody's back yard, that is all. And you use it just as you would use any back yard, except there are 16 families to use it instead of each having its own.

Mr. BEALL. What regulation is made for the cleaning up of that court? Whose duty is it; who superintends it?

Miss BYINGTON. Nobody; just anybody. There is a board of health in Homestead which has the power to order changes on complaint if a thing constitutes a nuisance. So that when conditions get bad enough to consitute a nuisance, if anybody chooses to complain, the board of health will act and insist on things being cleaned up.

Mr. BEALL. As to slops from the kitchen and other parts of the houses, what disposition is made of material of that sort?

Miss BYINGTON. There is a drain that empties into the vault. They simply pour the water out on the brick pavement; it runs into this drain and then into the vault.

Mr. BEALL. Kitchen slops and all are poured out there? Is rubbish of different kinds thrown into the court?

Miss BYINGTON. They vary. It depends somewhat on the thriftiness of the people living in there. Sometimes they are quite neat and sometimes pretty bad.

Mr. BEALL. As to this picture that has been referred to, is that of a typical family? Yes; I believe you say a typical toilet and water supply.

Miss BYINGTON. May I ask the page?

Mr. BEALL. Next to page 133.

Miss BYINGTON. Yes; that is a perfectly typical one. That is a lodging house for a lot of Russian men.

Mr. BEALL. Are the families of these foreign laborers usually large families, where they have children, or not?

Miss BYINGTON. Why, I should say that on the whole they are probably a little below the average, in that a great many of them are young people, young men coming over to the mills, who get married.

My impression would be that it would not be over the average. It would probably be a little below if anything.

Mr. BEALL. What is the largest family you have any recollection of—as to the number of children?

Miss BYINGTON. I do not know. You see, this is all four years old for me, and my recollection of the details such as that is a little shaky. I have that information here somewhere, if you really care to have it—if I can find it.

Mr. BEALL. I suppose I can find it.

Mr. YOUNG. When you were giving this budget, you were interrupted and I do not know whether you had finished it or not. There are some of the items about which I am not sure. I wish to see if I have them correctly. Will you just read those items?

Miss BYINGTON. Rent, $1.88; food, $4.16; furniture, 9 cents; clothing, 94 cents; fuel, 38 cents; insurance, 70 cents; and all other items together, 92 cents.

Mr. YOUNG. You never gave the "other items" at all. That is sundries?

Miss BYINGTON. That is sundries. It includes recreation, church, and newspapers, tobacco, and liquor, and then all the inevitable items of a household that do not seem to come under anything else.

Mr. YOUNG. Does that foot up to $9.07, as you have it?

Miss BYINGTON. $9.17.

Mr. REED. It is $9.07, as I add it.

Miss BYINGTON. I must have made a mistake, then, last night, when I made this memorandum up. It is probably 10 cents too less for the "other items."

Would you care to have me give you what the people in the over 20 group spend as a contrast?

Mr. YOUNG. People who receive over $20 a week wages?

Miss BYINGTON. Yes.

Mr. YOUNG. Yes.

Miss BYINGTON. It is rather interesting. They spend $3.73 for rent, which means a little house of four or five rooms, of their own; $9.38 for food, which is 37 cents a day, and is therefore well above the 22-cent allowance, allowing plenty of margin; 80 cents for furniture; $3.36 for clothing; 90 cents for fuel; $1.86 for insurance; and $5.52 for other expenses.

Mr. YOUNG. Now, to get back to this other: How large a family does that represent, where the expenses are $9.07?

Miss BYINGTON. Actually, in mine?

Mr. YOUNG. Yes; is that the average of the ninety-odd families?

Miss BYINGTON. No. The 90 families cover the whole four groups.

Mr. YOUNG. That covers different courts?

Miss BYINGTON. Yes.

Mr. YOUNG. Is this the average of all of the common laborers who are included in the 90 families?

Miss BYINGTON. Yes.

Mr. YOUNG. It is the average of the whole?

Miss BYINGTON. Yes.

Mr. YOUNG. Did you average the families?

Miss BYINGTON. I was trying to find out. I thought they were in here [referring to book]; but apparently they are not.

Mr. REED. When you take the average earnings as under $12, does that include the revenue derived from taking in boarders?

Miss BYINGTON. Yes. That figure of course is less, because at this particular time those people were not working full time, and that is why the average is $9.17, which is of course below what the ordinary day laborer was getting then. It is not different enough to materially affect expenditures, although it undoubtedly would have affected them somewhat.

Mr. REED. What was the period of this investigation?

Miss BYINGTON. 1907 and 1908, during the hard times. So that it affects the situation somewhat.

Mr. YOUNG. You stated that large numbers of these families were procured for you by a Slav with whom you became acquainted. What did you tell her that you wanted these names for?

Miss BYINGTON. Oh, I just told her I wanted to know what the cost of living among the Slav people was.

Mr. YOUNG. If she had had an idea that you were getting this, for instance, for the company, so as to see how far they could press wages down, you do not think you would have got the truth out of her, do you?

Miss BYINGTON. I got thrown out of one or two houses on the supposition that that was what I was doing. That is, I think these facts were unbiased.

Mr. YOUNG. I am trying to form my own opinion. You had to tell her something, I judge, as to why you wanted them, did you not?

Miss BYINGTON. Yes.

Mr. YOUNG. What did you tell her?

Miss BYINGTON. I told her, what was the fact, that a similar cost od living study had just been made in New York City; that we were anxious to get some sort of a comparison of figures in Pittsburgh, and that was all.

Mr. YOUNG. Did not she want to know why you desired this information?

Miss BYINGTON. No.

Mr. YOUNG. She asked no questions?

Miss BYINGTON. She was a very simple-minded little person, and I told her I wanted them, and I hired her to get them, and that was enough.

Mr. YOUNG. She did not get you all of these 90 families?

Miss BYINGTON. She got me the Slav ones.

Mr. YOUNG. How many of those families were there?

Mr. BEALL. Twenty-nine, as indicated on page 152.

Miss BYINGTON. Thank you.

Mr. YOUNG. Then, as to these families, the correctness of the information depended upon her report, did it, entirely?

Miss BYINGTON. With this check, that she brought to me their account book. She also got them to tell her how much they got in their pay envelopes for the weeks covering that period. Then I added up the expenditures to see if they tallied with what they said the total amount of wages was. And as she had not added them up, she had no way of knowing whether she was coming out right or not, and therefore padding.

When they did not come out alike we discarded the account.

Mr. YOUNG. You spoke of some investigation made by some scientific man connected with some university.

Miss BYINGTON. Prof. Chittenden, of Yale.

Mr. YOUNG. What did this 22 cents represent that he found? I I do not mean what items, but what was it?

Miss BYINGTON. He took a number of carefully itemized accounts. Then he made a study of the amount of proteids and calories contained in the amount of food produced by his scientific processes. They have a standard of how many grams of proteids and how many calories you need to keep you well. Then he estimated how much this amount of food at market prices would cost.

Mr. YOUNG. Was that for one individual?

Miss BYINGTON. No. I have forgotten how many budgets he studied, but he took a lot of them. It was quite an extensive analysis.

Mr. YOUNG. It was a family budget?

Miss BYINGTON. It was a family budget.

Mr. YOUNG. And not an individual budget?

Mr. BYINGTON. No; it was a family budget.

Mr. YOUNG. But you do not know how many persons there were in the family?

Miss BYINGTON. You mean in his families?

Mr. YOUNG. In his families.

Miss BYINGTON. You see, it is estimated in the terms of an adult man. It is supposed that a woman needs eight-tenths as much as a man does to keep her going, and a child proportionately less.

Mr. YOUNG. Yes; but how many men, how many women, and how many children does that 22 cents represent?

Miss BYINGTON. He took the family and estimated how many adult men that particular family was the equivalent of, and then estimated how much that budget cost per adult man. That is, by interpreting your family in terms of adult men you get something comparable——

Mr. YOUNG. It depends entirely on the size of the family, does it not? I can not see any value in those figures without we understand how many people that 22 cents was supposed to adequately feed.

Miss BYINGTON. One adult man. Suppose there is a man, a woman, and three children in a family, who spend $5 a week for food?

Mr. YOUNG. Yes.

Miss BYINGTON. He would say the man equals one, the woman equals eight-tenths, and the children equal seven-tenths, six-tenths, and five-tenths, which would make a total of, say, three. Therefore $5 would feed three adult men.

Mr. YOUNG. Then the 22 cents did represent the food for one adult man?

Miss BYINGTON. Yes. I beg your pardon. I did not understand your first question.

Mr. YOUNG. Now, I would not suggest for a moment that the American workingman should be fed the way convicts are fed; but you are probably aware that in well-conducted prisons the actual cost of food runs from about 9 to 11 cents per man, and that under that the health of the men increases.

Miss BYINGTON. I think there are several things you have to take into consideration there.

Mr. YOUNG. And they are in confinement, of course. You are familiar with those figures, are you not, about prison cost?

Miss BYINGTON. Yes.

Mr. YOUNG. Now, then, what I am trying to get at is this: This 22 cents evidently represented something more than the merest means of existence.

Miss BYINGTON. It means two or three things, I think. One is that, as a matter of fact, prisons buy food wholesale. Families buy food retail. That is a very big difference. In the second place, they have an expert chef, of one variety, to cook the prison food.

Mr. YOUNG. Yes.

Miss BYINGTON. And the ordinary family does not always have the same skill in evolving nourishing food out of cheap cuts.

Mr. YOUNG. That is getting right back to what I was looking for. So far as our investigation goes here I have never been able to see this investigation had anything to do with it, but it is a very important matter you are dealing with, and any possible remedy for it is very important.

That gets back, does it not, again, to the proposition that a great deal of this misery comes out of the ignorance of these people who come from a foreign country where conditions have been very bad, who do not know either how to earn money or how to make the most of the money that they get. I do not mean always, Miss Byington, but that that is a very large element in it.

Miss BYINGTON. I do not suppose any of us can tell how large an element it is. I do not think those figures are in the least comparable, however, to the food bought in market for a family, instead of food bought wholesale for a lot of men.

Mr. YOUNG. But you spoke of the matter of an expert chef who knew how to make the most of it, and this is an important point. Again you have spoken of one family in which the wife was the daughter of a Pennsylvania Dutch farmer, who was very thrifty and made a great deal more than any of the rest of these people out of the same wage. What I am getting at is, is not the remedy for a large part of this either to select more carefully the immigration that comes over here, and then to have some systematic way of educating in the way of living, the people who do come?

Miss BYINGTON. Well, I don't believe it is confined to the Slavic immigrant, as to the lack of knowledge.

Mr. YOUNG. I am not talking about the Slavic immigrant, but any immigrant.

Miss BYINGTON. I mean the immigrants.

Mr. YOUNG. Any immigrant is ignorant.

Miss BYINGTON. Education in how to live is pretty difficult to give.

Mr. YOUNG. It is more important than education in books. That can wait; the other can not.

Miss BYINGTON. Most of the courses of domestic economy do not teach a family how to live on 22 cents a man per day, and it is one of the difficulties.

Mr. BARTLETT. That is mostly book teaching or theory?

Miss BYINGTON. They are more apt to teach them how to make nice things; but the science of buying cheap things is different.

Mr. YOUNG. I should agree with you in that. But perhaps the woman, like the wife of this man you spoke of, who was the daughter of a Dutch farmer, has the knowledge that would be of advantage to these people, and would know how to impart it.

Miss BYINGTON. She would not know how to impart it.

It seems to me that in this question of skill in relation to wages from what I know of working people, you have to accept the fact that working people are only going to be averagely intelligent spenders, and that to adjust wages to the exceptional woman is not fair.

Mr. YOUNG. But nobody is suggesting that. I am suggesting what we can do. Nobody is suggesting that wages should be placed at the bare cost of existence. I certainly am not suggesting it.

The CHAIRMAN. Do you believe there is any degree of human ingenuity, energy, or intelligence that can determine a plan by which a man or his wife and three children can have the comforts and conveniences of decent life on $10 a week in the city of Pittsburgh?

Miss BYINGTON. No; I do not.

Mr. REED. May I suggest to the committee it would be interesting to know whether Miss Byington investigated the conditions of living among common laborers other than those employed by the Steel Corporation, because the evidence already before the committee shows that the Steel Corporation pays more for common labor than any other steel corporation in Pittsburgh, and more than most other employers of common labor of any kind.

Miss BYINGTON. Homestead is so almost exclusively a Steel Corporation town that it is practically impossible to make any such generalization out of conditions there. You see, as a matter of fact, there are but few teamsters and a few laborers on the streets; but the preponderance of labor in Homestead is so largely within the Steel Corporation that you can not get anything else.

Mr. REED. The Harbiston-Walker Co. has a large plant near Homestead which employs labor, and the Weston Machine Co.

Miss BYINGTON. They are over in West Homestead.

Mr. REED. You did not investigate among their laborers?

Miss BYINGTON. No.

The CHAIRMAN. I will say to Mr. Reed, it is not my purpose to infer from this evidence, nor am I attempting to establish, that the United States Steel Corporation, in respect to the payment of its laborers, is more niggardly than any other independent concern.

Mr. REED. I am glad to hear that.

The CHAIRMAN. I am not criticizing at all; but my investigations have led me to believe that they are quite as liberal in payment to their employees as other concerns in the United States, and infinitely more so than that concern at Pueblo—I don't know who runs it.

Mr. REED. The Colorado Fuel & Iron Co.

The CHAIRMAN. That is the worst place in the world.

Mr. REED. With that we have nothing to do.

The CHAIRMAN. I understand that.

Mr. REED. It depends on one's point of view. If you compare these things with an ideal condition of affairs, it looks bad; if you compare them with competitors and other employers, we think the showing is rather creditable.

The CHAIRMAN. I hope to be just to the Steel Corporation.

Mr. REED. I think the chairman is.

Mr. YOUNG. Do you think that you could entirely remedy this situation with an increase of wages, the ignorance and habits of these people remaining the same as they are? Would it take about a generation to do it?

Miss BYINGTON. I do not think you would remedy it by a sudden change. I think you would remedy it by a gradually increasing wage.

The CHAIRMAN. If the conditions exist that existed prior to the strike at Homestead; if there was day labor—honest, hard labor—of 12 hours, with a man's muscle where he was not fortunate enough to have the brain to enable him to feed upon the muscles of his less fortunate fellows; if these people were organized, were able to bargain competitively; if the Slav and the others of the more wretched creatures in Europe were not brought here; and they were paid a few cents more a day, and American laborers would then be induced to do less work, do you think that conditions would be immediately remedied?

Miss BYINGTON. That has a great many "ifs" in it, and I can not say that my imagination is equal to it.

The CHAIRMAN. Let the stenographer read the question.

The question referred to was repeated by the stenographer, as above recorded.

Mr. REED. I think that question would stagger even Mr. Perkins.

The CHAIRMAN. I will divide the question. I was just in a hurry to get it all in.

If these laborers were permitted to bargain competitively, if they were organized, do you believe it would have any effect on their wages, in that phaze of the situation?

Miss BYINGTON. I did not go into the wage situation at all extensively, and I would rather not try to answer a question that concerns that particularly. What I would like would be to see them organized for the moral effect on the laborer.

The CHAIRMAN. If they were paid 30 per cent more, if instead of being paid $11 a week, we will say, they were paid $16 a week, for 12 hours a day work, could American laborers be induced to do this work then, do you think?

Miss BYINGTON. As far as home conditions are concerned, yes.

The CHAIRMAN. If you had American laborers there at an average of $2 a day for day labor, and with constant work, would these conditions exist?

Miss BYINGTON. I am not sure about it, with the 12-hour day. That is, Homestead, politically, is pretty corrupt. The men who ought to be interested in the political situation are too busy or too tired to care. Some of the bad sanitary conditions are unquestionably due to total indifference that I believe is largely due to weariness. Of course it is hard to say that, with all the political corruption everywhere else, but it seems to me with a town the size of Homestead, where relations between one's living conditions and one's vote are pretty clear, that conditions would not be allowed to exist as they are if one had time to be interested.

The CHAIRMAN. Miss Byington, there is a roll call, and we will have to go. I will ask you, if you will do so, to supplement your statements here with the tables which you have furnished, showing the

number of foreign laborers employed, and these various budgets for the families that you have collected, and any other data of that kind.

Miss BYINGTON. Very well.

The CHAIRMAN. The committee will stand adjourned until to-morrow morning at 10.30 o'clock.

Thereupon, at 12.20 o'clock p. m., the committee adjourned until to-morrow, Saturday, February 10, 1912, at 10.30 o'clock a. m.

EXTRACTS FROM HOMESTEAD, THE HOUSEHOLDS OF A MILL TOWN, BY MISS MARGARET F. BYINGTON.

HOMESTEAD AS A CIVIC UNIT.

It is with Homestead borough in 1907–8 that this household study is primarily concerned, and in judging its public activities we must consider the limitations of borough resources noted, and the State restrictions upon borough authority, coupled with the industrial conditions, which, as we shall see, circumscribe the effective citizenship of the mill workers. These have had a part in the failures in self-government which have characterized this community, along with many others in America. For while the town has grown steadily, both in population and territory, civic interest and the well-being resulting from sound political organization have not kept pace with this growth. The school board and the board of health have the respect of the town, and men of standing are willing to serve on them. But the borough legislature, a council of 15 members, has been controlled in Homestead by the type of small politician to be found in office wherever wholesale liquor dealers dominate politics, and where the local government is used merely as a feeder for the State political machine.[1] Townspeople with whom I talked had apparently ceased to expect intelligent action on their part. Serious charges of dishonesty in awarding bids for a garbage plant and of bribery in connection with other matters had been brought against members in 1904. While the testimony given at the investigation leaves no doubt in the mind of the reader that there had been crooked dealings, it was suppressed and led to no action.

Apart from these allegations of dishonesty the council has acquired a reputation for general inefficiency. It has been slow to insist on sanitary regulations necessitated by the increasing density of population. The first forward step from the primitive sanitation of village days was taken the year after the strike, when the streets were paved and sewers and town water put in. A large percentage of the houses, especially the cheaper ones, nevertheless, had neither running water nor toilets in them in 1907–8.[2]

TABLE 6.—*Men employed in the Homestead mill in March, 1907, by racial groups and degree of skill.*

Racial group.	Skilled.	Semi-skilled.	Un-skilled.	Total.	Per cent un-skilled.
Slavonic	80	459	3,064	3,603	85.0
English-speaking Europeans	398	358	367	1,123	32.7
Native white	767	707	451	1,925	23.4
Colored	21	32	68	121	56.2
Total	1,266	1,556	3,950	6,772	.....
Per cent	18.7	23.0	58.3	.....	.....

[1] John F. Cox, the Republican "boss" of the borough, was in 1908 speaker of the Pennsylvania house of representatives, which has long since ceased to represent the people of Pennsylvania.

[2] I am told that there has been a marked increase in these sanitary improvements since. (See Appendix VI, p. 222. Report Homestead Board of Health for comment on the Pittsburgh survey, see p. 224.)

TABLE 7.—*Ninety budget families, by racial and expenditure group.*

Racial group.	Under $12.	$12–$14.	$15–$19.99.	$20 and over.	Total.
Slavonic	14	5	7	3	29
English-speaking Europeans	3	4	3	3	13
Native white	4	1	8	12	25
Colored	11	6	5	1	23
Total	32	16	23	19	90

One reason why workingmen's families feel so keenly the need of insuring can be shown by the roll of accidents reported in the Homestead paper for three typical months—January, February, and March, 1907.[1] Fifty-two men were injured during that period in the Homestead mill, and 13 others who lived in Homestead at the time of the accident were injured in mills of the United States Steel Corporation outside of Homestead. Of this total of 65, 7 died. Of the remaining 58, 30, or a little over half, suffered such injuries as crushed feet, lacerated hands, sprained ankles—injuries for the most part that laid them up for at least a week or two. But there were more serious accidents—3 men had a leg or an arm broken, 2 had an arm amputated, 10 were wounded about the face and head, the eyes of 4 were hurt, 8 received internal injuries, and 1 was paralyzed. The accompanying clippings show minor injuries reported in the Homestead papers for two weeks when the plant was working only part time. They further illustrate how constantly the men are confronted with danger.

TABLE 32.—*Two hundred and thirty-nine Slavic families in 21 courts, by number, nationality,[2] and number of lodgers.*

Nationality of lodgers.	Total families.	Families having no lodgers.	Families having lodgers.			
			1 to 4	5 to 9.	10 to 15.	Total.
Slovak	168	107	44	16	1	61
Pole	10	7	3	.....	.....	3
Hungarian	22	11	4	6	1	11
Russian	16	.....	6	5	5	16
Croatian	6	.....	2	4	.....	6
Lithuanian	4	2	2	.....	.....	2
Others	13	10	1	2	.....	3
Total	239	137	62	33	7	102

Even among the families that did not take lodgers, half averaged over two persons to the room. Of those who did take lodgers, all but 15 suffered this same degree overcrowding. Forty-three lived three to the room, 31 four, 7 five, and 6 more than five to the room. It is in itself a proof of the meager standards of home life that of the 102 families who took lodgers, 71 lived in 2-room tenements, where obviously there were no superfluous rooms to be rented and where this economy involved the overcrowding of space already inadequate. Of the 71 families in 2-room tenements, 55 had three or more persons to the room, 27 had four or more persons, and 8 had five or more.

[1] In May, 1908, a central committee was appointed by the United States Steel Corporation to coordinate and improve the work of eliminating preventable accidents on the part of constituent companies. The Carnegie Steel Co. had been one of the most active in this field in the year preceding. The company's inspector stated, in the spring of 1908, that in seven months he had made 2,000 recommendations for increasing the safety of men. During the past two years there has been a systematic development of this work. It is but fairly begun, however, and aside from preventable accidents, there are many which are inevitable because of the nature of the work. For a further discussion of the causes and results of accidents in the steel industry, see Work-Accidents and the Law, by Crystal Eastman, a companion volume in the series of the Pittsburgh survey.

[2] As 70 per cent of the families living in these courts were Slovak, with the remainder scattered among many different Slavic races, it is perhaps fruitless to attempt any conclusions as to racial distinctions in the matter of overcrowding. But in the accompanying table it is to be noted that among the Russians not only were there no families without lodgers, but that they had also the largest number of families with over 10 lodgers.

TABLE 33.—*Number of persons per room in the 21 courts in families which took lodgers compared with the number in families which did not take lodgers, January, 1908.*

Total families.	Families having an average per room of—					
	1 person.	2 persons.	3 persons.	4 persons.	5 persons.	More than 5.
With lodgers, 102	6	9	43	31	7	6
Without lodgers, 137	19	49	52	13	2	2
Total	25	58	95	44	9	8

Yet it is even more disastrous to the children both in health and character. In the courts studied, out of 102 families who took lodgers, 72 had children; of these, 25 families had 2, 10 had 3, and 7 had 4. There were 138 youngsters in all. A comparison of births and deaths of children under 2, shown in the tables on the following page, shows that among the Slavs 1 child under 2 years of age dies to every 3 children born; among the English-speaking Europeans, 1 dies to every 7 born; among the native whites and colored, 1 to every 5. In the crowded second ward, taking all races, 1 child under 2 dies to every 3 born—compared with 1 to every 4 in the first ward, 1 to every 5 in the fifth, 1 to every 8 in the third, and 1 to every 7 in the fourth.

The Slavic lodges are usually limited to the members of one nationality, Slovak, Hungarian, Polish, and in so far as they tend to perpetuate racial and religious feuds, miss their opportunity to amalgamate the immigrant colony. In this they differ from the lodges of the English-speaking community; these usually include representatives of all the English-speaking nationalities, and thus create a common social intercourse. They stop short there, however, and in turn fail to become the unifying force which they might if they were to welcome foreigners to their membership. The Slavs, it is true, prefer to belong to a lodge in which they can speak their own language; but this tendency to form separate societies is intensified by the suspicions aroused by the fact that they have been victims of a number of fraudulent American organizations. The chief reason, however, is the dislike on the part of the English-speaking people to include "hunkies" in any organization which would bring them into social and personal contact. Even Slavs who have attained a good standing financially have not been welcomed into the American societies

Nor does the work of the mill, the one common element in the life of the town, afford the relationships which might naturally spring up, There are no labor unions in Homestead as there are in the mines, to give a common interest to Pole, Slav, and native born, and pave the way to mutual understanding and citizenship. The policy of the mill thus again becomes a factor in the life of the town, this time to accentuate the failure of its residents to bridge over lines of cleavage, and create a normal community life.

The separation between Slavs and English-speaking people is evident not only in church and school and lodge but also in politics. Here again, even when Slavs are imbued with our civic ideals, language stands as a barrier to mutual understanding. Ignorant of our forms of political machinery, they can take a real part in the town's political life only after a slow process of education. Few of the Slavs are citizens. Only 6 per cent of those employed in the mill in 1907 had taken out papers, whereas 63.6 per cent of the other Europeans were naturalized. Many Slavs, or course, are ineligible because of their short residence and others because of their inability to read and write English. .

Those who become citizens find it difficult to comprehend our complicated political system or to follow newspaper discussions of party platforms or of aspirants for local offices. As a result, through the simple device of an organization manipulated by the older residents, they fall into line and are instructed which way to vote. Rumors of fraudulent registration and voting are more or less current. Both the Slavic leaders and other local politicians agree that a deal is usually made in Homestead and the Slavic vote goes to the party which promises a place on the police or some other minor office to a Slav. Direct bribery is apparently rare.

These long hours restrict the development of the individual. They give the men in the two shifts little time for outside interests. The week that a man works on the night turn, from 5.30 p. m. to 7.30 a. m., he has plainly small time to do anything but eat and get such sleep as he can. The other week he has, of course, such leisure as falls to any 10-hour worker. This alternation of shifts lets the men out of consecutive night work, but it interferes with that regularity of meals and of sleep which physi-

cians tell us is essential to health. When a man sleeps in the daytime alternate weeks, it means continual change and adjustment. One week he has supper at 4.30 p. m., works all night, has breakfast at 8 a. m., and has a more or less broken sleep during the day. The alternate week he has supper at 6 p. m., breakfast at 6.30, and a good night's sleep between. Sometimes when sons who are in the mill are on the opposite shift from the father, the family can not even meet for meals. The irregularity in hours not only adds in the long run to the fatigue of the work and breaks into the family life, but also makes weekly engagements, such as lodge meetings, impossible, and prevents the men from taking much part in other activities.

On the other hand, as was pointed out in Chapter II, a heavy burden is imposed upon Homestead through the fact that most of the mill property is set off in a separate borough. Munhall, where most of the Carnegie Co.'s holdings are located, is more attractive, has better water and sewerage, and has no overcrowded section. It is the residence place of the mill officials and has the income from the taxation of the mill property. The borough may almost be said to be part of the plant. Here the wealth and influence of the industry make themselves felt in those external conditions which react on the whole life of the residents.

In Munhall the tax rate in 1907 was only 8½ mills, which, nevertheless, brought $40,000 a year into the town's treasury from the Carnegie Steel Co. In Homestead, across the imaginary borough lines where the greater part of the workers live, the mill owns little property subject to taxation; here the tax rate was 15 mills and the company paid a tax $7,000 only. Through these borough divisions the corporation has thus been largely relieved of contributing to the maintenance of the community which is necessary to its operation. That burden is borne by the homes of the wage earners gathered to do its work.

The analysis of expenditures indicates that the man who earns $9.90 a week, as do a majority of such laborers, and who has a family of normal size to support, can provide for them only a two-room tenement in a crowded court, with no sanitary conveniences; a supply of food below the minimum sufficient for mere physical well-being; insurance that makes provision which is utterly inadequate for the family left without a bread-winner; a meager expenditure for clothes and furniture, and an almost negligible margin for recreation, education, and savings. Many can, to be sure, add to their earnings by working 7 days a week instead of 6; by working 12 hours a day instead of 10; but, after all, we are talking of standards of life and labor for an American industry, and common sense will scarcely sanction such a week of work. Many, too, as we have seen, take in lodgers, but do it at the cost of decency and health.

It may be claimed that the Slavs are single men and get ahead quickly. But two-thirds of the immigrant Slavs in the Homestead mills are married men. And the exceptional one who gets ahead in the mill only serves to set-off the fact that the main body of the employees are unskilled workers and will continue such so long as steel processes remain as they are.

No. 47

UNITED STATES STEEL CORPORATION

HEARINGS

BEFORE THE

COMMITTEE ON INVESTIGATION OF UNITED STATES STEEL CORPORATION

HOUSE OF REPRESENTATIVES

SATURDAY, FEBRUARY 10, 1912

WASHINGTON
GOVERNMENT PRINTING OFFICE
1912

UNITED STATES STEEL CORPORATION.

COMMITTEE ON INVESTIGATION OF THE
UNITED STATES STEEL CORPORATION,
HOUSE OF REPRESENTATIVES,
Saturday, February 10, 1912.

The committee this day met, Hon. Augustus O. Stanley (chairman) presiding.

The CHAIRMAN. Mr. Reed, we would like to call Mr. Irvin.

Mr. REED. Before the witness is sworn I would like to ask whether a time has been fixed by the committee for the appearance of Mr. Roberts?

The CHAIRMAN. I think Mr. Hill will be before the committee on Monday, and I presume he will be here Tuesday. If it suits the convenience of the committee, it will suit the convenience of the chairman to hear Mr. Roberts on Wednesday.

Mr. REED. Very well; I will ask him to come on Wednesday.

STATEMENT OF W. A. IRVIN.

The witness was duly sworn by the chairman.

The CHAIRMAN. What is your position with the American Sheet & Tin Plate Co.?

Mr. IRVIN. Assistant to the vice president.

The CHAIRMAN. Do you know whether or not the American Sheet & Tin Plate Co., about July 15, 1909, engaged the services of the Central Employment Bureau, at 628 Penn Avenue, Pittsburgh, Pa., for the purpose of obtaining laborers in its mills?

Mr. IRVIN. Yes, sir; about July, 1909.

The CHAIRMAN. Do you know how many persons you secured through this employment bureau at that time?

Mr. IRVIN. Our records show 720 men secured.

The CHAIRMAN. Have you that record?

Mr. IRVIN. Yes, sir. [Producing same and handing it to the chairman.]

The CHAIRMAN. These are copies of the statements?

Mr. IRVIN. Those are the originals.

The CHAIRMAN. On September 2, 1909, I see, "Cash paid for advertisements during the months of July and August, $299." What were those advertisements?

Mr. IRVIN. Advertisements by the Central Employment Bureau for men to work in our plants.

The CHAIRMAN. In what papers were those advertisements made?

Mr. IRVIN. From a list of their receipts, attached to their bills, it shows the Gazette-Times, the Post Publishing Co.——

Mr. REED. I think the chairman simply means the papers in what cities.

The CHAIRMAN. Go ahead with the names you are giving.

Mr. IRVIN. The Post and Sun. Here is a German paper.

The CHAIRMAN. Those are all papers published in Pittsburgh?

Mr. IRVIN. Yes, sir. In addition to that, I think there was an advertisement in a Chicago paper and, perhaps, in a Philadelphia paper.

The CHAIRMAN. Again, in a statement dated November 20, 1909, I see, "Cash paid for advertisements during the months of September, October, and November, $242.87." Was that for advertisements for the same purpose?

Mr. IRVIN. Yes, sir; the same purpose.

The CHAIRMAN. I believe you have named the Pittsburgh Gazette-Times among those papers?

Mr. IRVIN. Yes, sir.

The CHAIRMAN. Do you know how much was paid to the Pittsburgh Gazette-Times?

Mr. IRVIN. No; I do not. We could perhaps get that by going over the slips.

The CHAIRMAN. That is Mr. Oliver's paper?

Mr. IRVIN. Yes, sir; I suppose so. I don't know.

The CHAIRMAN. I believe you received at various times the receipts from these papers?

Mr. IRVIN. We received the receipts through the Central Employment Bureau, attached to their bills when rendered.

The CHAIRMAN. They sent you receipts from these papers?

Mr. IRVIN. Yes, sir.

The CHAIRMAN. Did you see the advertisements appearing in those papers at the time?

Mr. IRVIN. We did, currently. They attached no copy of the advertisement, however, to the bills.

The CHAIRMAN. What was the total length of time between the first of these 720 men and the last one? How long were you in getting this number of men?

Mr. IRVIN. I should say approximately five months.

The CHAIRMAN. What was the occasion for this extensive advertisement for these men?

Mr. IRVIN. We needed men to fill positions vacated by others in our mills in various cities and towns in which we have factories.

The CHAIRMAN. I will ask you to examine this issue of the Pittsburgh Gazette-Times and tell me if that is one of the advertisements entered.

Mr. IRVIN (examining same). I can not say that it is actually an ad we had them insert. We simply gave them verbal instructions to procure us men for our hot mills for various positions, and they framed the advertisement.

The CHAIRMAN. You paid for them?

Mr. IRVIN. We paid for them.

Mr. BARTLETT. Have you seen this advertisement in Mr. Fitch's book? Have you read Mr. Fitch's book and seen the sample of advertisements he published at that time?

Mr. IRVIN. No; I have not seen the advertisements in Mr. Fitch's book.

Mr. BARTLETT. If you have not seen it, I will not ask you anything about it.

Mr. REED. I think he knows all about the advertisement.

Mr. BARTLETT. I asked him if he had seen Mr. Fitch's book, and he said he had not.

Mr. IRVIN. I have not seen Mr. Fitch's book.

Mr. REED. I think he has seen the same advertisement in the newspapers.

Mr. BARTLETT. I examined Mr. Fitch about the one in his book. I have never seen any other.

Mr. REED. Mr. Fitch in his book reproduces an advertisement he saw in the newspapers. While this witness has not seen the book and the reproduction of the advertisement, he saw the original advertisement in the paper.

The CHAIRMAN. That is what I was asking him about, and he said he had not.

Mr. BARTLETT. Have you seen that one that Mr. Fitch purported to copy?

Mr. IRVIN. If you will permit me to see the advertisement in Mr. Fitch's book, I will probably recall it.

Mr. REED. That is the advertisement, Mr. Irvin, in which it is stated that certain foreign nationalities are preferred. Do you remember seeing such an advertisement?

Mr. IRVIN. Yes; I remember seeing such an advertisement.

Mr. BARTLETT. Do you remember seeing it, in which it spoke of the character of people that were preferred? Do you remember that part of it?

Mr. IRVIN. Yes.

Mr. BARTLETT. Do you recall what it was?

Mr. IRVIN. I do not recall exactly what it was, but I recall the circumstance very well.

Mr. BARTLETT. Will you state why they stated that certain nationalities were preferred?

Mr. IRVIN. I think I can.

Mr. BARTLETT. I would like to know.

Mr. IRVIN. We had been advertising for hot-mill men; that is, we had given the Central Employment Bureau an order to procure as many hot-mill men as they could. After they had been going on for some time and we employed all of the men who were capable in our judgment of filling positions in the hot mills, the supply of labor soon became exhausted. When we went to start, at the beginning of operations in the tin-house department, it was necessary to procure additional labor. On account of all the available Americans having been employed to fill the positions in the hot mills, it was necessary then to employ foreigners for the tin-houses.

Mr. Gibson, the manager of the employment bureau at that time, when I requested him to get men for the tin house, said: "Well, it is not possible to get Americans for this position, because we have gotten all the Americans that are available for the hot mills." I said: "What kind of foreign help can you get for us?" He said: "I can get, perhaps, a number of different nationalities." He said: "What kind do you prefer?"

Based upon our experience in employing foreign labor for the tin houses, I gave him a list of those we preferred, providing he could get them, in the order of preference.

Mr. BARTLETT. This 628 Penn Avenue office is the same employment bureau you spoke of?

Mr. IRVIN. Yes, sir. Our experience was that Syrians, Poles, and Roumanians were inclined to stay in a position when they once got it, perhaps better than Italians and some other foreigners. We at all times prefer American labor when we can get it and when it is available.

Mr. BARTLETT. Is foreign labor not cheaper?

Mr. IRVIN. We pay the same price. We pay a rate per box in the tin houses. There is no difference in the wages paid.

Mr. BEALL. Was there a strike on at the time these advertisements were inserted?

Mr. IRVIN. Yes, sir.

Mr. BEALL. How long had it been in progress?

Mr. IRVIN. I should say from the time the first advertisement was put in the strike had been in progress perhaps a week.

Mr. BEALL. How many men had gone out, about?

Mr. IRVIN. Up to the time the advertisements were first inserted?

Mr. BEALL. Yes.

Mr. IRVIN. I do not know if any had been sent out to the mills at that time.

Mr. BEALL. I mean how many men had gone out on the strike. I understood you to say there was a strike on at that time.

Mr. IRVIN. I misunderstood your question. I do not recall just exactly the number.

Mr. BEALL. Approximately—up in the hundreds, up in the thousands, a dozen, or how many?

Mr. IRVIN. Perhaps 6,000.

Mr. BEALL. About 6,000 men had gone out?

Mr. IRVIN. I say that offhand; I can not give you the exact figures.

Mr. BEALL. I understand. Do you know anything about the nationality of the men, about what proportion were Americans?

Mr. IRVIN. I have no information on that subject.

Mr. BEALL. Was there a considerable number of Americans that had gone out?

Mr. IRVIN. I should say there was a considerable number of Americans.

Mr. BEALL. Could you approximate the percentage of them?

Mr. IRVIN. I could not.

Mr. BEALL. That is, give us an idea of whether there were a thousand, or fifteen hundred, or as many as twenty-five hundred?

Mr. IRVIN. I could not say with any degree of accuracy.

Mr. BEALL. In a general way, was that strike over a controversy of wages?

Mr. IRVIN. I can not say exactly how the strike was brought about, with reference to the strikers.

Mr. BEALL. You spoke about the difficulty of getting American labor. Was that difficulty brought about because of the sympathy of American labor for the strikers, their refusal to take their places, or any such cause as that?

Mr. IRVIN. Not with respect to this advertisement. The number of foreigners is very largely in the majority in the tin-house occupations.

Mr. BEALL. I understood you to say that a good many Americans had gone out.

Mr. IRVIN. Yes.

Mr. BEALL. They were unemployed at that time?

Mr. IRVIN. Yes. That was for the hot-mill positions.

Mr. BEALL. Your experience demonstrated that these Syrians and these people named in these advertisements, as preferred, were less likely to go out on strike than people of other nationalities?

Mr. IRVIN. No.

Mr. BEALL. What did you mean a moment ago by saying that these people were more inclined to remain in an employment that they once got, than people of other nationalities?

Mr. IRVIN. I mean their habits were more steady. There is a disposition on the part of many foreigners to work for a few months and then give up their positions and go to the old country.

Mr. BEALL. In this advertisement you say that Syrians, Poles, and Roumanians are preferred. I understand that there has been nothing in your experience to demonstrate that these particular nationalities were less likely to engage in a strike than were other nationalities.

Mr. IRVIN. I should say not.

Mr. BEALL. Did as large a proportion of these nationalities go out on this strike, about which you have spoken, as the other nationalities?

Mr. IRVIN. I should say we did not compile any data as to the number of each nationality that went on strike at the time.

Mr. BEALL. But, in a general way, do you know?

Mr. IRVIN. We did not have in mind the fact that these nationalities were more inclined to stay in on account of probable labor disputes. At the time it was simply a question of expediency of getting a class of men in who were more adapted for the character of work we required.

Mr. BEALL. For this particular character of work did your company ever employ Germans, Irishmen, Swedes, Norwegians, or Finns, or people of those nationalities?

Mr. IRVIN. I should say that we always gave nationalities of that kind preference, if they applied for work.

Mr. BEALL. Then people of those nationalities have been employed in these mills?

Mr. IRVIN. I presume so.

Mr. BEALL. Is it not a fact that people of those particular nationalities are much more likely to remain in this country permanently, to become American citizens, than are the people of the nationalities you say here are preferred?

Mr. IRVIN. I can not answer that question.

Mr. BEALL. Don't you know from common observation and experience that the German comes here to remain, generally; that the Irishman, when he comes here from the Emerald Isle, comes here to make an American citizen of himself; that the Norwegians and people of that class come here and become Americanized much more largely so than the Syrians, Poles, and Roumanians? Is not that

a fact? Has not that been the result of your experience and observation?

Mr. IRVIN. I think that is correct.

Mr. BEALL. So it could not have been because the Syrians, the Poles, and the Roumanians were more likely to stay in this country that they were preferred to the Irish, the Germans, and Swedes?

Mr. IRVIN. We did not discriminate against the Irish, Germans, and Swedes.

Mr. BEALL. Well, had many of them gone out on this strike? Had they been employed in the mills prior to this strike, and had they gone out—any men of those nationalities?

Mr. IRVIN. I can not say as to that. But there are not many Swedes or Germans or Irish who make applications for positions in the tin houses. We had already taken every able-bodied man, regardless of his nationality. Of course, we preferred Americans, to whom we could talk intelligently.

Mr. BEALL. Did you advertise for Americans in any other city, in any other part of the country?

Mr. IRVIN. We did not state specifically Americans. When we printed our advertisement in the English language, we expected anyone who was out of work would make application.

Mr. BEALL. In these advertisements that you say you printed in the English language, did you state, in this advertisement, as was stated here—this is in the English language—that Syrians and Poles——

Mr. IRVIN (interposing). Understand, that is not our advertisement.

Mr. BEALL. It was inserted, however, through the agency of those who represented you. You knew the kind of advertisement they were inserting, did you not?

Mr. IRVIN. We did not know the kind of advertisement this Central Employment Bureau would insert in the paper.

Mr. BEALL. Pretty soon after you made your contract with them, you knew, did you not, because you saw the advertisement?

Mr. IRVIN. We saw the advertisement after it was printed.

Mr. BEALL. Did you suggest any change?

Mr. IRVIN. No; I think not.

Mr. BEALL. Did you approve of it?

Mr. IRVIN. We put the question up to the labor bureau to furnish us with a certain number of men if they could get them.

Mr. BEALL. And you indicated to them that these three particular nationalities would be preferred, of all the foreigners?

Mr. IRVIN. Preferred to other foreigners who applied for mill work and common labor work.

Mr. BEALL. You say you advertised elsewhere in English. Do you know whether the advertisement was about the form of this advertisement?

Mr. IRVIN. I believe you have another paper there showing the form of the advertisement that was employed.

Mr. BEALL. You are referring to this [indicating]?

Mr. IRVIN. Yes.

Mr. BEALL. "Hot-mill men for tin mills." Was this advertisement inserted in the papers away from Pittsburgh also?

Mr. IRVIN. I can not say.

Mr. BEALL. Had it been the habit of your company, when there was a scarcity of men, to put these advertisements in different papers throughout that section of the country, or were you limited to Pittsburgh?

Mr. IRVIN. Throughout the Pittsburgh district?

Mr. BEALL. Throughout the Pittsburgh district.

Mr. IRVIN. Yes, sir.

Mr. BEALL. Were there any advertisements, to your knowledge, ever inserted in papers in a foreign country, of any kind, indicating that under any conditions employment might be obtained in this country for particular classes of people?

Mr. IRVIN. I do not think there ever has been such an advertisement; at any rate, not to my knowledge.

Mr. BEALL. How many of those men—of the 6,000 you said went out on strike—were finally given employment? Could you suggest approximately the proportion of them?

Mr. IRVIN. No; I could not.

Mr. BEALL. Was any considerable number of them ever employed?

Mr. IRVIN. Oh, yes; a considerable number. I should think most of them.

Mr. BEALL. Did the Americans who went out on that strike ever receive free employment?

Mr. IRVIN. Oh, yes.

Mr. BEALL. How long did the strike continue?

Mr. IRVIN. About 15 months.

Mr. BEALL. How was it finally adjusted? Was it on a compromise basis? Did the company win or did the strikers win?

Mr. IRVIN. It is my recollection that the labor organizations who declared the strike called it off after the expiration of about 15 months.

Mr. BEALL. They had union labor in the tin-plate mills at that time—at the time the strike was ordered?

Mr. IRVIN. At the time the strike was called off?

Mr. BEALL. Yes.

Mr. IRVIN. No. All of our mills were then running on an open-shop basis.

Mr. BEALL. Were they running in that way when the strike was ordered?

Mr. IRVIN. No.

Mr. GARDNER. They were not running on an open-shop basis when the strike was ordered?

Mr. IRVIN. The mills, at the time the strike was declared, were not running open shop.

Mr. BEALL. They were union mills?

Mr. IRVIN. Yes.

Mr. BEALL. A strike was ordered, which lasted about 15 months. Finally the strike was ended. At the time the strike began they were union mills; when the strike ended they were open-shop mills. Is that right?

Mr. IRVIN. That is right.

Mr. BEALL. The unions were destroyed? The unions were no longer recognized?

Mr. IRVIN. They were no longer recognized in those mills.

Mr. BEALL. Since that time have they been recognized?

Mr. IRVIN. No, sir.

Mr. BEALL. They have been runing as nonunion mills since?

Mr. IRVIN. Not as nonunion mills but as open-shop mills.

Mr. BEALL. Has any discrimination been practiced against any man because he belonged to the union?

Mr. IRVIN. Not to my knowledge.

Mr. BEALL. Have you heard anything in your capacity as an officer of the corporation indicating there was any sort of discrimination against a man because he was a union man?

Mr. IRVIN. That depends on what may be considered discrimination.

Mr. BEALL. Well, what you consider discrimination.

Mr. IRVIN. I say no.

Mr. BEALL. What was it you heard that, in your judgment, would make it dependent upon what a man considered discrimination, as to whether or not it was discrimination?

Mr. IRVIN. I have no knowledge of hearing anything that would be so construed.

Mr. GARDNER. What did you hear that somebody else might have considered as being discrimination?

Mr. IRVIN. I do not recall anything specifically at this time.

Mr. BEALL. It must have been a matter up for discussion among the officials of the mills about the time that the strike was settled, before and after that time, as to what the general attitude would be toward men belonging to the unions—to organized labor. You had some kind of policy. What was it?

Mr. IRVIN. Of course we were naturally reluctant to give employment to persons that had displayed a vicious character during the trouble.

Mr. BEALL. Displayed what?

Mr. IRVIN. A vicious disposition toward the men who entered the employ of our mills on an open-shop basis.

Mr. BEALL. What does that mean? Does it mean that if you wanted a man to work in the mills, and you had a union man applying on one hand and a nonunion man applying on the other, that you would give the preference to the nonunion man?

Mr. IRVIN. We did not ask a man whether he was a union man or a nonunion man, to the best of my knowledge, when he applied for work.

Mr. BEALL. Did you resort to any other means of ascertaining whether or not a man was a union or nonunion man, whether or not he had been active or inactive with respect to labor organization?

Mr. IRVIN. Yes.

Mr. BEALL. In that section?

Mr. IRVIN. We naturally knew the ones who were taking an active part.

Mr. BEALL. You did not have to ask them?

Mr. IRVIN. In the strike at all of the plants——

Mr. GARDNER (interposing). Did you give a different treatment to the officials and the pickets of the union to what you did to the rank and file of the union?

Mr. IRVIN. We naturally took back, as we needed the men to fill up the ranks, from the strikers' organizations, the ones who were least active during the trouble.

Mr. REED. There was a great deal of violence during that strike.

Mr. GARDNER. I am not implying it is not a natural thing to do. I just wanted the facts; that is all.

Mr. REED. I was just adding another fact.

Mr. BEALL. Do you know what proportion of the men working at this time are men belonging to the union, to any kind of a labor union?

Mr. IRVIN. I do not know.

Mr. BEALL. Can not you form any estimate?

Mr. IRVIN. I have no means of knowing.

Mr. BEALL. Does your information go to the extent that you could state whether it was a large or small proportion?

Mr. IRVIN. I could not answer that question.

Mr. BEALL. You are not sure?

Mr. IRVIN. No, sir.

Mr. BEALL. Are you sure there are any men now at work belonging to the union?

Mr. IRVIN. I am not sure.

Mr. BEALL. You are not sure about that?

Mr. IRVIN. No, sir.

Mr. BEALL. In your experience in these mills have you ever observed any difference among different nationalities in their attitude toward labor unions, that is, whether the Poles, the Syrians, or the Roumanians are less likely than people of other nationalities to ally themselves with labor organizations?

Mr. IRVIN. I do not believe that I have.

Mr. BEALL. You do not know now that you are in a position to say that these particular nationalities are more likely or less likely than the people of other nationalities to associate themselves in these labor organizations?

Mr. IRVIN. It seems to me that the employees of all the mills, who were affiliated with labor organizations at that time, came out regardless of whether they were of one nationality or another.

Mr. BEALL. Do you know whether at the time these men walked out there were among them a considerable number of Syrians, Roumanians, and Poles? Do you remember whether or not any considerable number of people of these particular nationalities went out on that strike?

Mr. IRVIN. No; I have no means of knowing just the percentage of the various nationalities that were employed.

Mr. BEALL. You do not know anything about the disposition or indisposition of these people to connect themselves with labor organizations?

Mr. IRVIN. No.

Mr. BEALL. How many men did you have in your mills at the time of this strike?

Mr. REED. You mean in all mills?

Mr. BEALL. In the mills about which he is speaking; I don't know how extensive they are.

Mr. GARDNER. The mills affected by the strike.

Mr. BEALL. Out of which the 6,000 men went. What was the total number of men employed before the strike began?

Mr. IRVIN. I presume in that relation it would be about 10,000 men.

Mr. BEALL. There came a strike, and 6,000 of them walked out; that left 4,000.

Mr. IRVIN. Those are just approximate figures.

Mr. BEALL. I understand. Now, among those remaining, do you know what particular nationality predominated?

Mr. IRVIN. No, sir.

Mr. BEALL. Were they Americans, any considerable number of them?

Mr. IRVIN. No; I have no means of knowing that.

Mr. BEALL. You have no knowledge on that subject?

Mr. IRVIN. No, sir.

Mr. GARDNER. Is it not a fact that whether or not a particular nationality shows a disposition to join a union, depends a good deal on the nationality of the officers of the union?

Mr. IRVIN. That may perhaps be so.

Mr. GARDNER. That has been my own observation in my neighborhood.

Mr. IRVIN. I think very much depends upon the activity of the officers.

Mr. GARDNER. Yes. But, other things being equal, activity and honesty and the reliability of the officers, nationality makes a good deal of difference in the question as to whether persons of the same race or a different race show a tendency to join—possibly on account of the language being different, and possibly on account of some race prejudice?

Mr. IRVIN. Yes.

STATEMENT OF WILLIAM M. HOLLENBECK.

The witness was duly sworn by the chairman.

The CHAIRMAN. You are at the head of the Central Employment Bureau?

Mr. HOLLENBECK. Yes, sir.

The CHAIRMAN. What is the purpose of this bureau, do you know?

Mr. HOLLENBECK. With which?

The CHAIRMAN. What is the business of this Central Employment Bureau?

Mr. HOLLENBECK. Furnishing help for anyone.

The CHAIRMAN. How does it operate? Explain what the person desiring help does and what you do. How do you operate this bureau?

Mr. HOLLENBECK. We have inquiries for help, orders for help. Also we have people that come to us for employment. That is the nature of the business.

The CHAIRMAN. When people come to you for employment, you have them register their names and addresses, and when people want like help you bring them together and charge something for your services?

Mr. HOLLENBECK. Yes, sir.

The CHAIRMAN. Is this bureau run in the interest of any particular nationality?

Mr. HOLLENBECK. No, sir.

The CHAIRMAN. Do you secure help by advertising in the papers? If a man comes to you and wants 500 men, what do you do?

Mr. HOLLENBECK. We will try and furnish them, by advertising for them, or any other means by which we can get the people.

The CHAIRMAN. If I should come to you and say I am running a mill in Pittsburgh and that I want 500 men, what sort of an advertisement would you enter?

Mr. HOLLENBECK. I would advertise for the class of help that you wanted. I would ascertain what you wanted first and advertise for that class of help.

The CHAIRMAN. Suppose I wanted 500 men to operate as helpers in a tin mill. Suppose I wanted rollers, doublers, heaters, roughers, catchers, and screw boys; what would you advertise for?

Mr. REED. I object to this, because it has not been shown this witness was connected with the Central Employment Bureau in 1909, and I take it to be quite irrelevant as to what he would do under certain circumstances now.

The CHAIRMAN. Is this bureau run the same way it was in 1909 or do you know?

Mr. HOLLENBECK. I could not answer a question like that.

The CHAIRMAN. Have you the same help they had then?

Mr. HOLLENBECK. The same which?

The CHAIRMAN. Do you run on the same principle on which it was run in 1909?

Mr. HOLLENBECK. I could not answer that question. I may run the business differently. The business really is the same as it was then, but I may use other means of getting the help, different from the former owner.

Mr. YOUNG. Were you connected with it in any way in 1909?

Mr. HOLLENBECK. No, sir.

Mr. REED. I renew the objection. I do not think it makes a bit of difference what this witness will do now.

The CHAIRMAN. I will ask you this question: Do you know the general principles upon which these employment bureaus are run?

Mr. HOLLENBECK. Yes, sir.

The CHAIRMAN. How long have you been connected with them?

Mr. HOLLENBECK. About five months.

The CHAIRMAN. Before that were you ever employed in one of them?

Mr. HOLLENBECK. No, sir.

Mr. YOUNG. It seems to me, Mr. Chairman, that is going pretty far.

Mr. BARTLETT. I guess we have the wrong witness.

The CHAIRMAN. I will connect it.

Do you know Mr. C. E. Gibson?

Mr. HOLLENBECK. I do.

The CHAIRMAN. Was he connected with this bureau at any time?

Mr. HOLLENBECK. I bought the business from Mr. A. C. Gibson.

The CHAIRMAN. Was he in charge of the business in 1909?

Mr. HOLLENBECK. The books show that; yes, sir.

The CHAIRMAN. Do you know Mr. Hollander?

Mr. HOLLENBECK. No, sir.

The CHAIRMAN. Do you know whether he was connected with the bureau in 1909?

Mr. HOLLENBECK. I find his name on the record.

The CHAIRMAN. When requests are made for help do you insert the nationality or does the person requesting the help insert the nationality?

Mr. REED. I object to that, because the witness does not know what was done in 1909.

The CHAIRMAN. I am asking now for my own information.

Mr. REED. I object to it going into the record.

Mr. YOUNG. I do not think we ought to go into that. We are traveling too far afield, anyway. Certainly the man who ran this employment bureau at the time should be easy enough to obtain, I suppose. I do not see much materiality in it anyway. But when we take it in connection with the statement of Mr. Irvin that he did in this instance say that for this particular purpose he preferred the men who were named in that advertisement, it seems to be an admitted fact.

Mr. REED. The reference is to other foreigners.

Mr. YOUNG. He stated the circumstances.

Mr. GARDNER. Why not let this witness answer the question with the distinct understanding it in no way indicates what anybody else would do?

Mr. YOUNG. If it does not, what is the importance of it?

The CHAIRMAN. At times we become excruciatingly technical.

Mr. YOUNG. I do not think this is excruciatingly technical; I think it is excruciatingly unfair.

The CHAIRMAN. Either way; the chairman is not particular about the viewpoint. As I understand, it does not matter in what business it is; if it is a question as between two men, the custom of the business is always universal, if there are certain customs that govern in the business. This is an established business.

Do you know the rules and the customs that govern the business in which you are engaged?

Mr. HOLLENBECK. I certainly do. I am under license and bond.

The CHAIRMAN. Is this employment business conducted under certain recognized rules and customs?

Mr. HOLLENBECK. Well, it has been a licensed and bonded business for, I don't know just how long. But it is run under State laws.

The CHAIRMAN. Do you run this business according to the customs that have governed it for years, or do you run it in any way you please?

Mr. HOLLENBECK. No; I run it according to law; I am not courting trouble.

The CHAIRMAN. Do you know whether or not it is the custom, and has been for years the custom, of employment bureaus, when advertising in making choice between the nationality of employees, to consult the wishes of the person seeking employees, or to use their own discretion in the matter?

Mr. REED. The chairman will note my objection?

The CHAIRMAN. Yes; I note it.

Do you know whether such a custom prevails now, and has prevailed for years, in reference to employment bureaus?

Mr. HOLLENBECK. I do not know, Mr. Stanley; I would not take any chances for my own self. I don't know what Mr. Gibson did at that time, or what he would do if he was in my place now.

The CHAIRMAN. Do you know the customs governing your business in that respect?

Mr. HOLLENBECK. Yes, sir.

The CHAIRMAN. What is the custom?

Mr. HOLLENBECK. If you asked for 500 men, and you made no choice, I would use my best endeavor to get men to suit you. If a brewery wants men, I would send them Germans every time. I would not send an Irishman to a brewery, because he would be turned down. [Laughter.] You may laugh, but you can go into half a dozen breweries and you won't find an Irishman.

The CHAIRMAN. I think you are exactly right. Do you know whether Syrians, Poles, and Roumanians are specially suited to the tin-mill business, like a German is to a brewery?

Mr. HOLLENBECK. I don't know. My ideas may differ from other people's. I have worked in mills 10 years myself, or 20 years for that matter. I find a Syrian is a very poor workman in a mill; and if I had inserted the advertisement I would have cut the Syrians out, because you will find those people with a pack on their back, peddling from door to door. That is really their custom and their business. I do not think they would make good workmen in any mill.

The CHAIRMAN. What peculiar fitness has a Pole for that business?

Mr. HOLLENBECK. The Pole or the Slav have made very good mill workers.

The CHAIRMAN. Do they make any better workmen than Americans?

Mr. REED. Objected to, because it has been very distinctly shown the advertisement did not mean they were preferred to Americans.

The CHAIRMAN. We will interpret that in our own way.

Mr. REED. The chairman becomes excruciatingly technical if he is going to construe the advertisement that way.

The CHAIRMAN. No; it is simply a reading of the English language.

Do you know anything about whether the Poles and Roumanians are specially suited to this business?

Mr. BARTLETT. Permit me to say this, Mr. Chairman: Here we have put in a particular instance, during a strike, in which it is tried to be brought home to the Steel Corporation that they authorized the insertion of this advertisement, the insertion in the way it reads. They have admitted that to be true, and have explained it. Whether or not the explanation is sufficient, I do not now undertake to say; but it does seem to me that to go further and inquire into the customs of the business, as to what this man would have done if he had been in the place of those who conducted the business previously, before he got into it, and what he does now, it immaterial.

The CHAIRMAN. I was simply trying to come to an understanding about his using his own discretion in getting employees for his patrons, and was trying to find out whether it was the custom in all employment bureaus to use that discretion. I think it is very material to know at this time.

Mr. BARTLETT. Mr. Irvin testified that they left it to the employment agency.

The CHAIRMAN. It may be that these people are specially skilled in the business.

Do you know, Mr. Hollenbeck, whether Poles and Roumanians are specially skilled in the tin business? As a race, do they take to it?

Mr. HOLLENBECK. I believe they are; yes, sir.

The CHAIRMAN. You did not insert these advertisements. I believe I have asked you if Mr. Hollander was in the employ of this bureau in 1909.

Mr. HOLLENBECK. The book states so; I don't know.

The CHAIRMAN. That is all.

STATEMENT OF GEORGE H. SELDES.

The witness was duly sworn by the chairman.

The CHAIRMAN. What is your business?

Mr. SELDES. Reporter.

The CHAIRMAN. Were you so engaged in 1909?

Mr. SELDES. I don't think so.

The CHAIRMAN. I will ask you if your attention was called to this advertisement in the Pittsburgh Gazette-Times about July 15, 1909?

Mr. SELDES. Why, I saw about 20 or 30 on the same order; probably this one also.

The CHAIRMAN. In what papers were those advertisements run?

Mr. SELDES. All in the Gazette-Times, those that I saw.

The CHAIRMAN. I call your attention to this other advertisement down here. Were the same advertisements run in the same paper?

Mr. YOUNG. Which are you showing him—the Syrian advertisement?

The CHAIRMAN. Both of them.

Mr. SELDES (after examination). Yes, sir.

Mr. YOUNG. Which did he answer to?

The CHAIRMAN. He answered as to the first one, and I showed him the second, and asked if the same advertisements were run in the same paper.

Mr. SELDES. Yes, sir.

The CHAIRMAN. How were these advertisements run; in the same words? Did you examine the papers at that time?

Mr. SELDES. I believe there were only about two or three alike. Every other one had something changed. There would be some phrase changed; it would be the same offer, but the number of men would be changed.

The CHAIRMAN. Was the same reference made to Syrians, Poles, and Hungarians?

Mr. SELDES. I think at one time there were four nationalities mentioned; three usually.

The CHAIRMAN. Were Americans ever mentioned in the advertisement?

Mr. SELDES. I never saw an American mentioned.

The CHAIRMAN. Who called your attention to these advertisements?

Mr. SELDES. Our city editor.

The CHAIRMAN. What did you do?

Mr. YOUNG. What paper were you on?

Mr. SELDES. I was on the Pittsburgh Leader at that time.

The CHAIRMAN. Did anybody call your attention to it?

Mr. SELDES. Why, he gave me a letter from Mr. Moffett, of the immigration department, asking for certain information. He put me on this, and I went to look it up.

The CHAIRMAN. Mr. Moffett did?

Mr. SELDES. The letter was from Mr. Moffett.

The CHAIRMAN. And you got this information for Mr. Moffett?

Mr. SELDES. I did.

Mr. GARDNER. From the office of the United States Immigration Commission?

Mr. SELDES. The latter was from here in Washington. I supposed he was connected with the United States Immigration Commission. He was making some report or investigation. It came from Washington.

The CHAIRMAN. What was his position?

Mr. SELDES. I don't know. I only know his name was Moffett.

The CHAIRMAN. Did you prepare any statement for the Government?

Mr. SELDES. I prepared two affidavits.

The CHAIRMAN. I will ask you to look at these affidavits and see if they are the ones.

Mr. SELDES (after examination). These are the ones; yes, sir.

Mr. REED. Is not that rather an indirect way of proving something that has already been admitted?

The CHAIRMAN. I don't think it has been admitted. Did you make these affidavits at that time?

Mr. SELDES. I did

The CHAIRMAN. It would be impossible to get all these people here on short notice, and that is the reason I am taking this short method of proving it.

The first affidavit seems to be a statement of Mr. Hollander, who was employed with the Central Employment Bureau at that time.

Mr. SELDES. Yes.

The CHAIRMAN. Did you examine Mr. Hollander?

Mr. SELDES. He said he was Mr. Hollander. The man I talked to—that I thought was Mr. Hollander—tried to evade my questions, and he would not give me any name at all until I forced him to.

Mr. REED. By violence?

Mr. SELDES. No; not by violence.

The CHAIRMAN. The statement is:

On Wednesday afternoon, November 2, 1910, I visited S. Hollander, who says he is a member of the firm known as the Central Employment Bureau, at the office of the concern, No. 628 Penn Avenue, Pittsburgh, Pa., and in reply to my question Mr. Hollander said:

"The advertisements appearing in the Gazette-Times during July and August, 1909, which carried the name of the Central Employment Bureau, were for the American Sheet & Tin Plate Co., and we inserted them at the direction of that corporation. There was a strike on at the time, and the company was greatly in need of men. I do not care to divulge the name of the man who actually paid for the advertisement, but he represented the American Sheet & Tin Plate Co."

The affidavit is signed by George H. Seldes.

The other affidavit, which was turned over to the Bureau of Immigration, and was with reference to an interview with Mr. Gibson, is as follows:

On Friday afternoon, November 4, 1910, I visited the Central Employment Bureau at 628 Penn Avenue, Pittsburgh, Pa., and saw there Mr. C. E. Gibson. Mr. Gibson declared that he is a member of the firm, and I personally saw the license authorizing him to conduct the bureau, which was made out in his name.

I showed Mr. Gibson a copy of the following advertisement, which I personally copied from the Pittsburgh Gazette-Times of July 14, 1909:

"Wanted—60 tin house men, tinners, catchers, and helpers to work in open shops, Syrians, Poles, and Roumanians preferred; steady employment and good wages to men willing to work; fare paid and no fees charged for this work. Central Employment Bureau, 628 Penn Avenue."

Mr. Gibson freely admitted that this ad. was inserted in the Gazette-Times by the Central Employment Bureau at the directon of the American Sheet & Tin Plate Co. He declared that he did not wish to make affidavit to this for fear of offending the American Sheet & Tin Plate Co., but said he would make a sworn statement provided an official of the company would authorize him to do so.

Did you make that affidavit?

Mr. SELDES. I did.

Mr. GARDNER. Who is Mr. C. E. Gibson?

Mr. YOUNG. The man who ran the employment bureau.

Mr. GARDNER. The other witneses testified his name was Mr. A. C. Gibson—am I not correct, Mr. Hollenbeck? Did you not testify his name was A. C. Gibson?

Mr. HOLLENBECK. Did I not testify to what?

Mr. GARDNER. Did you not testify that you bought this place from Mr. A. C. Gibson.

Mr. HOLLENBECK. A. C. Gibson was the proprietor, and I understand Hollander was employed as manager for him.

Mr. GARDNER. Did you ever hear of Mr. C. E. Gibson?

Mr. HOLLENBECK. No. This man was A. C. Gibson.

The CHAIRMAN. Look at that affidavit and see what the name is there.

Mr. GARDNER. What is that name?

Mr. SELDES. The name is C. E. Gibson; that is the name he gave me.

Mr. GARDNER. That is the name he gave you?

Mr. SELDES. Yes. I remember making a note of the initials. I asked him for his initials, to make a note of them.

Mr. GARDNER. Do your books show the name of A. C. Gibson?

Mr. HOLLENBECK. Yes, sir; A. C. Gibson.

The CHAIRMAN. At any rate, there was a Mr. Gibson runnning this bureau at that time?

Mr. SELDES. Yes, sir.

The CHAIRMAN. Where was this Mr. Gibson, A. C. or C. E., that you saw?

Mr. SELDES. In the office.

The CHAIRMAN. Was he at 628?

Mr. SELDES. At 628 Penn Avenue.

The CHAIRMAN. Was he in charge of the business there?

Mr. SELDES. He told me he was.

Mr. YOUNG. Penn Avenue; what city?

Mr. SELDES. Pittsburgh, Pa.

The CHAIRMAN. Do you know of the conditions existing at that time, whether or not there was a strike on?

Mr. SELDES. There was a strike at that time, and a lot of fighting, too.

The CHAIRMAN. Do you know what became of the men that went out? Do you know anything about that?

Mr. SELDES. I know after following that strike the general opinion was that the union was crushed.

Mr. REED. I object to the statement of the "general opinion."

The CHAIRMAN. What was the nationality of these 6,000 men that went out, as a rule? Do you know?

Mr. SELDES. I don't know.

The CHAIRMAN. Do you know whether any record was kept of these men that went out on that strike—any list kept of them—or not?

Mr. SELDES. I do not know about at this particular place, but I know of a list of people who were discharged by the different steel corporations in the Pittsburgh district for being labor agitators and for cause—a list of several thousand names, known as a black list of some kind.

The CHAIRMAN. What was the purpose of that? What was done with it?

Mr. SELDES. I was told this list was circulated among different members of the steel corporation or different firms, and that when any of these men applied for labor they were looked up on the list.

Mr. YOUNG. What do you know about it?

Mr. SELDES. I had the list in my hand; I worked on the list.

Mr. YOUNG. Where did you get the list?

Mr. SELDES. I am under promise not to divulge the whereabouts of the list. It is very valuable.

Mr. YOUNG. You have referred to it. How do you know that this was a list which was circulated among these companies?

Mr. SELDES. Why, I was asked to investigate some of these people on the list.

Mr. YOUNG. By whom?

Mr. SELDES. I could not give you the man's name.

Mr. YOUNG. You refuse to give it?

Mr. SELDES. I am under promise not to give it. I would not want to break that promise.

Mr. YOUNG. We are getting in here the worst kind of hearsay.

Mr. GARDNER. If this examination is to be continued, I shall have to ask for a ruling of the committee on that.

The CHAIRMAN. Where did you see this list? I would hate to ask a man to violate any confidence.

Mr. REED. It is pretty hard on us to be charged by hearsay, without the witness giving even his informant.

The CHAIRMAN. I would much prefer that you ask him about the circumstances under which he saw the list, and whether he found it to be authentic or not.

Mr. YOUNG. I think we ought to know the facts so we can judge whether or not it is authentic.

Mr. GARDNER. Mr. Chairman, what are you trying to prove?

The CHAIRMAN. I am trying to show how these Roumanians, Syrians, and Poles happened to be employed, and whether it was necessary to get these men because there were not Americans enough for the places. Or whether these advertisements, which were run for 20 days, were run for the purpose of eliminating the American laborer, and the putting in his place a character of labor which could be obtained for much less money and would work under entirely different conditions.

Mr. GARDNER. Now I understand. What has this alleged black list got to do with that?

The CHAIRMAN. If the men who believed in making collective bargaining, who had any disposition toward the union, were discharged from this business for the reason that they did believe in the union; that a list of these men was prepared, and that this list was well known to the United States Steel Corporation, then it was a deliberate attempt on the part of the Steel Corporation to deprive American citizens who believed in collective bargaining of the opportunity to obtain employment.

Mr. GARDNER. If that is your object, to show that, then I think the source of this information ought to be given to the committee.

Mr. BEALL. Can we not get hold of a witness who can tell us about this strike?

The CHAIRMAN. I think so.

Mr. BEALL. He would be better.

Mr. BARTLETT. I think myself that while we are not bound down by the strict technical rules that apply in a court of law, and are permitted to hear hearsay testimony, that it would not be just to anybody to let hearsay evidence come in and then leave it in the air as to where it came from. If we are going to take secondhand information, we ought to know where it comes from, so that we ourselves can judge of its reliability and of its source.

The CHAIRMAN. I simply suggested he might be prepared to show the information was entirely authentic. I know that in examining Mr. Schwab and other gentlemen, they have said they preferred not to state so-and-so, and we have not insisted.

Mr. BARTLETT. There is an insistence here that there be a ruling on the question.

The CHAIRMAN. I have ruled that I would prefer to have the questioner ask him some preliminary questions as to whether he knew this was a genuine list or not.

Mr. YOUNG. I do not think this is the way to get the truth. He has made a general statement that this was a paper which was circulated among the plants of this tin plate company.

The CHAIRMAN. Where did you see this list?

Mr. GARDNER. The witness has been asked to name the party from whom he obtained it. Now, I agree with some other gentlemen, in that I would very much rather take this question up with some witness who has personal knowledge of it. But if this line of inquiry is to be pursued, I think this witness at this point should tell the source of his information.

The CHAIRMAN. I was simply making that as a preliminary question, with the idea of probably getting at the authenticity of the list.

Mr. GARDNER. The trouble is that theses preliminary questions as to authenticity may result in a number of loose accusations without any basis, and, finally, after it has all come in, the committee may not take my point of view—that we should not receive anonymous hearsay evidence.

Therefore I suggest that either the examination of the witness be shifted from this point to some other point, or else that he now state the name of his informant.

But if you have another witness to testify to the same thing——

The CHAIRMAN. I don't know what this other witness knows about this list. I know he knows about the nationality of the employees.

I am perfectly willing to let this witness stand aside and put this other witness on the stand.

Mr. GARDNER. I do not ask for that. I simply ask that if the examination be continued the name of the informant be told.

Mr. BARTLETT. He has left the impression in the evidence that there is some blacklist circulated.

Mr. REED. Just what is his evidence?

Mr. BARTLETT. Let us have read just what he said.

The stenographer read as follows:

The CHAIRMAN. Do you know whether any record was kept of these men that went out on that strike—any list kept of them or not?

Mr. SELDES. I do not know about at this particular place, but I know of a list of people who were discharged by the different steel corporations in the Pittsburgh district for being labor agitators and for cause, a list of several thousand names, known as a blacklist of some kind.

The CHAIRMAN. What was the purpose of that? What was done with it?

Mr. SELDES. I was told this list was circulated among different members of the Steel Corporation or different firms, and that when any of these men applied for labor they were looked up on the list.

Mr. YOUNG. What do you know about it?

Mr. SELDES. I had the list in my hand. I worked on the list.

Mr. YOUNG. Where did you get the list?

Mr. SELDES. I am under promise not to divulge the whereabouts of the list. It is very valuable.

Mr. BARTLETT. Valuable in what way?

Mr. SELDES. It is valuable in that I was told that the Steel Corporation would be willing to give many thousands of dollars; it is valuable inasmuch as the man who gave it to me told me if it was learned he had it he might be slugged some day and the list taken from him.

Mr. REED. This is improving rapidly.

Mr. BARTLETT. Were you informed the Steel Corporation did not have it?

Mr. SELDES. What is that?

Mr. BARTLETT. That the people engaged in the manufacture of steel did not have it, had no access to it; is that a fact?

Mr. SELDES. Oh, there were many copies, I understood.

Mr. BARTLETT. Many copies?

Mr. YOUNG. Mr. Chairman, we are getting in this thing worse and worse. I appreciate your motive, Mr. Bartlett, but we are dealing with something that is not authentic in any way.

Mr. BARTLETT. I was trying to see what there was here that we could authenticate. Now, I will ask a question: From whom did you get this information?

Mr. SELDES. I said before I would not like to mention the man's name.

Mr. BARTLETT. Give us the source of the information which you have detailed to the committee, with reference to the black list which was being circulated and of which there were so many copies made.

Mr. SELDES. I got this from the man who asked me to work on it and get some information about these men. I looked up some of these men on the list.

Mr. YOUNG. That is not answering the question.

Mr. SELDES. Do you want me to tell the name?

Mr. YOUNG. Yes.

Mr. SELDES. It was H. H. Eagle, city editor of the Pittsburgh Leader. He is the man I got it from.

Mr. GARDNER. Do you know where he got it from?

Mr. SELDES. I don't know where he got it.

Mr. REED. I would like to suggest a question to be put to the witness, as to whether anything was on it to indicate it was ever owned by the Steel Corporation.

The CHAIRMAN. What was there on the list?

Mr. SELDES. The date of discharge, the man's name, his previous employment, and the cause of discharge. Under the column of "Employment" there was a list of different companies which I understood were affiliated with the United States Steel Corporation. There were different concerns on that list. And under "Cause" were "Labor agitator" or "For cause." There might have been one other cause, but the greater per cent were for cause, and at one period there were a large number of "Labor agitators."

Mr. GARDNER. You say at one period; what period?

Mr. SELDES. I do not know that that list was complete to 1910, when I had it, but I think it had parts from 1900 to 1908 or 1909, and probably a few years before 1900.

Mr. GARDNER. How recently did you see the date and set against a man's name "Labor agitator"?

Mr. SELDES. I could not say that.

Mr. GARDNER. You worked on that list?

Mr. SELDES. I did; several of us did.

Mr. GARDNER. About when was the latest date you noticed?

Mr. SELDES. I have no idea.

Mr. GARDNER. Have you that list with you?

Mr. SELDES. I have not.

Mr. DANFORTH. What kind of work did you do on the list?

Mr. SELDES. I went to see some of the men on the list. We traced them to where they were living. I remember one man that was at the terminal warehouse. I asked him whether he had been employed at some steel company, I forget the name; I think the Carnegie, and he said yes. I said "Were you discharged?" He said "Yes." I asked him "Did you try to get work somewhere else?" He said, "Yes; I went to 5 or 10 places." I said, "Did you get work?" He said, "They all promised me work and turned me away; I could not understand the cause."

Then I showed him the list and he was greatly surprised to see his name on the list. He said, "That explains it."

Mr. GARDNER. Was that "for cause" or because he was a "labor agitator"?

Mr. SELDES. I am not sure; it was one of the two.

Mr. GARDNER. What was the date the man was discharged?

Mr. SELDES. I don't know.

Mr. GARDNER. What was the approximate date?

Mr. SELDES. I know he had been working about two years at the terminal warehouse when I saw him in 1910.

Mr. GARDNER. I would suggest, Mr. Chairman, that a subpœna duces tecum be issued to H. H. Eagle to produce that list.

Mr. YOUNG. And show where he got it.

Mr. BARTLETT. And show what it is.

The CHAIRMAN. I would like to see that list myself.

Mr. BARTLETT. You probably won't get it now as long as the suggestion is made by the Government, if it gets out to the public that we are after it.

Mr. YOUNG. In order to be regarded as evidence against the Steel Corporation, it ought to be shown that it emanated from them, that they had knowledge of it, and that it represented something they were doing.

The CHAIRMAN. Do you remember the names of the companies that were on this list?

Mr. SELDES. I do not.

The CHAIRMAN. Were they steel companies there in Pittsburgh?

Mr. SELDES. The greater part of them were in the Pittsburgh district; some of them were on the outside.

The CHAIRMAN. Do you know whether the Carnegie Co. was on that list?

Mr. SELDES. I think it was.

The CHAIRMAN. Do you know whether the National Tube Co. was on that list or not?

Mr. SELDES. I am not sure about that, now.

The CHAIRMAN. And the American Sheet & Tin Plate Co.?

Mr. SELDES. I can not remember.

Mr. GARDNER. How about the Jones & McLaughlin Co.?

Mr. SELDES. I don't remember now.

The CHAIRMAN. Were you advised at that time that there were names of companies belonging to the Steel Corporation?

Mr. SELDES. Yes, sir.

The CHAIRMAN. Did you get to talk to these men whose names were on this list?

Mr. SELDES. I remember that one distinctly, the one at the terminal warehouse. We could not trace several of them. In fact, there were three men working on the list, and I believe Mr. Eagle has now some statements from each of the reporters who investigated several of these men—those that could be found.

The CHAIRMAN. Were these men who had formerly worked for the United States Steel Corporation that you saw?

Mr. SELDES. They had worked for some of the mills; I suppose they were United States Steel Corporation mills.

The CHAIRMAN. How was the list headed, do you remember that; on what stationery?

Mr. SELDES. It was ordinary blank, white paper. I think there were no lines or ruling on it, no heading.

The CHAIRMAN. Was that list prepared just about the time of this strike, about the time of this advertising transaction—July 15?

Mr. REED. Objected to, because the witness has not shown any knowledge of when it was prepared.

The CHAIRMAN. When was it that you saw it?

Mr. SELDES. Some time in 1910.

The CHAIRMAN. Was there any date on the paper?

Mr. SELDES. Why, there was a date of discharge of each man.

The CHAIRMAN. About when were these men discharged?

Mr. SELDES. I suppose for a period covering at least 10 years.

Mr. GARDNER. Was the list printed?

Mr. SELDES. It was typewritten.

Mr. GARDNER. Was this list ever reproduced in the Pittsburgh Leader?

Mr. SELDES. It was not.

Mr. GARDNER. The original paper was not reproduced in the Pittsburgh Leader?

Mr. SELDES. You mean a sheet of that list?

Mr. GARDNER. The heading of the particulars?

Mr. SELDES. It had no heading on it.

Mr. GARDNER. Were there ever any references made in the Pittsburgh Leader to this list which you have been discussing?

Mr. SELDES. I know that during the time of the strike there was an editorial on the first page.

Mr. GARDNER. What year was the strike?

Mr. SELDES. 1909.

Mr. GARDNER. And this was in 1910 that you saw the list?

Mr. SELDES. Yes, sir.

Mr. GARDNER. Now, as to this editorial you speak of——

Mr. SELDES. This editorial was on the first page.

Mr. GARDNER. During 1909?

Mr. SELDES. During 1909, during the strike. In the Leader's usual style it discussed the American Sheet & Tin Plate Co. It also ran the advertisement, the same advertisement we are talking about. It was one of those that was at the beginning of the editorial. It spoke about men being discharged, and, I think, the State Militia shooting down strikers—something like that. There was some trouble at that time.

The CHAIRMAN. Is this the editorial that was gotten out at the time [showing a paper to the witness]?

Mr. SELDES. Yes; this is the editorial.

Mr. BARTLETT. You say there was nothing on the heading of this list?

Mr. SELDES. No, sir.

Mr. BARTLETT. Just a mere blank sheet of paper with the names and date of employment?

Mr. SELDES. About 50 sheets of paper; maybe less.

Mr. BARTLETT. There was no heading showing what it was, or what it meant.

Mr. SELDES. No, sir.

Mr. BARTLETT. Just the names of the parties, where they had been employed, when they were discharged, and the reasons for the discharge; but nothing to indicate they were employed in the Carnegie mill?

Mr. SELDES. Oh, yes; the name of each mill was given there.

The CHAIRMAN. I think it would be well to copy the editorial in the record.

Mr. GARDNER. I have no objections, but I will call the attention of the Chair to the fact that, when there was a discussion as to the absorption of the Tennessee Coal & Iron Co., the chairman himself objected to certain things being inserted in the record unless they had the witness on hand to prove the authenticity of the statement.

The CHAIRMAN. I think this is a very good idea. I simply refer to it as an exhibit, and it goes in as an exhibit. He has referred to it and fixed the time, and the circumstances of the strike; and it goes in simply as any other exhibit would go in.

Mr. GARDNER. I would like to have it go in. I think the chairman's ruling was wrong at the time. I have no objection to its going in.

The CHAIRMAN. The chairman's idea is this, Mr. Gardner, that newspaper articles ought not to be inserted as substantive proof; but an editorial, or a photograph, or a table, or anything else that is a mere exhibit, a mere incident to a man's testimony, I think is eminently proper to be put in. That is the only distinction I draw, and I think it is perfectly clear.

Mr. REED. I am glad the testimony has not brought out a lot more of the Leader's editorials, because that sort of thing comes out very frequently.

The CHAIRMAN. I hope there is not frequent occasion for it.

Mr. DANFORTH. It does not seem to me that that editorial ought to go in——

The CHAIRMAN. If any member of the committee objects to that editorial, and wants to give his reasons for it, I will not put it in. If nobody objects to it, it will go in. It is not a matter to justify any lengthy discussion.

Mr. DANFORTH. If it has not anything to do with this man's testimony I should object to it as immaterial and irrelevant.

The CHAIRMAN. Very well; it will not go in.

Mr. DANFORTH. Mr. Seldes, how old are you?

Mr. SELDES. Twenty-one.

Mr. DANFORTH. You saw this list two years ago, in 1910?

Mr. SELDES. Yes, sir.

Mr. DANFORTH. I was trying to find out what you were doing or what you were asked by the editor to do in connection with the list. You said you went to see this one man at the terminal warehouse?

Mr. SELDES. I think I went to see three people. I know I saw this man. I don't remember whether I saw others or not. They were very hard to trace—some of them.

Mr. DANFORTH. And you went there to get his story?

Mr. SELDES. I went there to get his story.

Mr. DANFORTH. Was that ever published?

Mr. SELDES. No; it was not.

Mr. DANFORTH. How many times did you see the list?

Mr. SELDES. I think I saw it—I had it with me for one day, and I think I saw it twice afterwards.

Mr. DANFORTH. You had it with you to pick out the names of the men, so that you could interview them?

Mr. SELDES. Yes; and also so that I could show it to them.

Mr. DANFORTH. Also what?

Mr. SELDES. So that I could show it to them.

Mr. MCGILLICUDDY. You spoke about a man, just as I came in, who had been discharged, and on that paper it was stated he was a labor agitator.

Mr. SELDES. I don't know whether it was stated he was discharged for cause or because he was a labor agitator. Those were the two commonly used in that list. I don't know which was against that man's name.

Mr. MCGILLICUDDY. As a matter of fact, was he a man prominent in labor matters?

Mr. SELDES. I think I asked him that.

Mr. MCGILLICUDDY. You can not say?

Mr. SELDES. I can not say yes or no. I think I asked him that, and I think he said it was for being in some union.

Mr. MCGILLICUDDY. That it was what?

Mr. SELDES. I think he said he was in a union.

Mr. MCGILLICUDDY. But he did not say he had taken any prominent part or anything of that kind?

Mr. SELDES. I don't remember whether he said he was an agitator or not.

Mr. YOUNG. Was he employed at the time you saw him?

Mr. SELDES. Yes; he was employed at the terminal warehouse.

Mr. GARDNER. What was that man's name?

Mr. SELDES. I can not remember his name. The city editor has his name in a statement that I made.

Mr. YOUNG. Who did this terminal warehouse belong to—to what concern?

Mr. SELDES. I don't know.

Mr. YOUNG. You don't know for whom he was working?

Mr. SELDES. I think it was a tea man or tea importer—somebody—some firm in the terminal warehouse.

The CHAIRMAN. That is all, Mr. Seldes. We are obliged to you.

Mr. YOUNG. Will this editor be subpœnaed to bring this paper?

The CHAIRMAN. He will.

Mr. GARDNER. That will include having him come in person, will it not?

Mr. YOUNG. We can find out——

The CHAIRMAN. The chairman of this committee is anxious to ascertain the truth and only the simple truth about this matter. I see nothing to offend anybody in attempting to prove or in allowing witnesses to state that the United States Steel Corporation is employing foreigners, instead of American citizens, and is deliberately selecting them; that it is refusing to take back into its employ men who are endeavoring to make their bargains collectively instead of individually. That is all I am attempting to do.

Mr. GARDNER. I see a very high objection to a black list which excludes men on account of being labor organizationists. But I object extremely to evidence being brought in to prove that thing which is obviously not the best evidence which we can get on the subject.

The CHAIRMAN. I want to get the best evidence, but you understand that in an investigation of this character it is not in the province of any man, no matter how diligent or how tireless he may be, to always procure the best evidence concerning every transaction covering so immense a concern as the United States Steel Corporation. These things arise incidentally, and I get the best evidence I can possibly secure.

As we are investigating for the purposes of information, and not for the purpose of inflicting any particular penalty, the rules here are just exactly like the rules governing every other committee in Congress. They are more lax, they are less technical, than rules operating in a court of justice. That, I think, is universally known

to any man who has ever been a member of a congressional committee.

Mr. YOUNG. As long as we are going into this labor question, I see no impropriety in offering testimony along this line, but I think it should be connected with the Steel Corporation. That is the trouble up to date.

Mr. BARTLETT. I agree with you thoroughly, and have so stated. But I do not believe we are bound down to the strict rules of evidence in this investigation. When evidence that is injurious to anybody, or which develops conditions which are vicious and that ought not to exist, is sought to be brought out, and it is undertaken to state it is from some source which can not be divulged, I take the position I am not willing to accept that kind of testimony unless I know that source and unless we can get the best source.

The CHAIRMAN. I agree with you entirely. I was in hopes he might be able to sufficiently identify the paper. I knew but little of this incident. This man arrived only this morning, and I did not have the opportunity of going thoroughly into the matter beforehand. The chairman had hoped he might, by stationery or by the names upon the paper—just as we could have done perhaps without the presence of the gentleman from the Steel Corporation—have identified these advertisements. I hoped he might be able to do it without giving the name of his informant, and if it could have been done I had hoped it would be done. If not, I had no objection to his giving the name of the informant.

Mr. GARDNER. It seems to me very material, if this gentleman is correct in supposing people would be discharged because they were labor agitators, or "for cause," for us to ascertain what percentage were thus discharged.

The CHAIRMAN. That is very material; I quite agree with you, and I hope we will be able to determine that. I myself am anxious to see that list, and shall make every effort to obtain it.

STATEMENT OF J. W. ANAWALT.

The witness was duly sworn by the chairman.

The CHAIRMAN. You are president of the Union Supply Co.?

Mr. ANAWALT. I am.

The CHAIRMAN. That company was what—the Union Supply Co. (Ltd.)?

Mr. ANAWALT. Yes, sir.

The CHAIRMAN. What company is this you bought? Do you know what companies were merged into this Union Supply Co.?

Mr. ANAWALT. There were no companies merged into the Union Supply Co.

The CHAIRMAN. Do you know what companies it has purchased or obtained the stock of?

Mr. ANAWALT. I do not know that I could name all of them.

The CHAIRMAN. You first purchased the assets of the Union Supply Co. (Ltd.) on March 31, 1902?

Mr. ANAWALT. I believe that is the date.

The CHAIRMAN. For $913,000, approximately?

Mr. ANAWALT. Those are approximately the figures.

The CHAIRMAN. I will read you here a statement furnished by Mr. McRae from the minutes of the Union Supply Co.:

Union Supply Co. board of directors, minutes, and stockholders' minutes as extracted. Articles of incorporation filed March 24, 1902.

Second paragraph thereof provides that—

"Said corporation is formed for the purpose of dealing in all kinds of merchandise at retail."

The capital stock was originally $1,000, and was later increased to $500,000.

Meeting of directors March 22, 1902.

PROPOSITION TO UNION SUPPLY CO. (LTD.).

The president submitted a proposition, dated this day, to be made to the Union Supply Co. (Ltd.), whereby this company offers to purchase all the assets of the Union Supply Co. (Ltd.), as they are on March 31, 1902, for the sum of $913,066.66, payable as follows: $499,000 in the fully paid-up capital stock of this company at par, and the balance of $414,066.66 by this company assuming and agreeing to pay that amount of indebtedness of the Union Supply Co. (Ltd.), this company to take over all assets, real and personal, including real estate, buildings, merchandise, fixtures, supplies, accounts, and bills receivable and cash on hand of the said Union Supply Co. (Ltd.), as they are on March 31, 1902, and take over all the contracts of said company including contracts of the employees.

I believe you also purchased the Hecla Supply Co. (Ltd.), did you?

Mr. ANAWALT. Yes.

The CHAIRMAN. Consisting of Hecla store No. 1, merchandise, fixtures, etc., $10,218.05.

Did you purchase the Trauger store?

Mr. ANAWALT. Yes, sir.

The CHAIRMAN. Consisting of merchandise, fixtures, etc., $11,799.62.

Then there is the store building at Hecla, Pa., $3,000.

Mr. ANAWALT. Those are store buildings, in connection with the stocks you have just mentioned.

The CHAIRMAN. And the store building at Trauger, Pa., at $3,500, making in all $28,517.67.

Now, in what business is this Union Supply Co. engaged?

Mr. ANAWALT. General merchandise; retail.

The CHAIRMAN. What is it?

Mr. ANAWALT. The business of retail general merchandise.

The CHAIRMAN. It is a subsidiary of the United States Steel Corporation?

Mr. ANAWALT. Yes; practically.

The CHAIRMAN. What kind of merchandise does it carry?

Mr. ANAWALT. Practically everything that is used in everyday life.

The CHAIRMAN. Where is it located? Is it in a mining community?

Mr. ANAWALT. Yes, sir.

The CHAIRMAN. Do you carry mining supplies?

Mr. ANAWALT. Yes, sir.

The CHAIRMAN. Who are your principal customers?

Mr. ANAWALT. The principal customers are the employees of the H. C. Frick Coal Co., and other mining companies.

The CHAIRMAN. Do they purchase the supplies they use in the mines, as well as clothing, boots, and shoes, and so forth?

Mr. ANAWALT. Some of the supplies used in the mines.

The CHAIRMAN. Powder and things of that kind?

Mr. ANAWALT. Yes, sir.

The CHAIRMAN. You have an actual capital stock of $500,000?

Mr. ANAWALT. Yes, sir.

The CHAIRMAN. Is that a fair valuation of the value of your property?

Mr. ANAWALT. No; I would not say so. I do not think it is. You ask if it is a fair valuation of the value of the property; it is not.

The CHAIRMAN. Did you have a capital stock of $500,000 at the time this entry was made?

Mr. ANAWALT. Yes, sir.

The CHAIRMAN. That was your capital stock at that time?

Mr. ANAWALT. Yes, sir.

The CHAIRMAN. Have you many persons in that community purchasing from the Union Supply Co. who are not miners and not engaged in the mining of coal?

Mr. ANAWALT. We have; yes.

The CHAIRMAN. Are there many people in that community that are not engaged in mining coal in some way, or connected with it, except doctors or a few professional men? Are there any other businesses in that community?

Mr. ANAWALT. We have a considerable farming trade. These plants are located, a good many of them, in farming districts, and we have, in addition to the employees of the mining companies, the usual inhabitants of those districts.

The CHAIRMAN. What per cent of your customers are employees of the company and what per cent are farmers and others?

Mr. ANAWALT. I could not tell you that.

The CHAIRMAN. Approximately?

Mr. ANAWALT. Probably 10 per cent.

The CHAIRMAN. Are the others employees?

Mr. ANAWALT. Yes, sir.

The CHAIRMAN. I notice a statement of the dividends of the Union Supply Co. from May 27 to December 28, 1903, of $250,000. On May 27 you declared a dividend of $50,000; on September 23, $100,000; and on December 28, 1903, $100,000.

I will put all this into the record, but to save time I simply want to refer to some of this.

In the next year, 1904, I find you declared a dividend of $250,000. These additions are by Mr. MacRae, and they can be verified.

In 1905 you declared a dividend of $405,000; in 1906, a dividend of $550,000; in 1907, a dividend of $500,000; in 1908, a dividend of $320,000; in 1909, a dividend of $440,000; and in 1910, a dividend of $520,000.

I find that this $500,000 concern in nine years declared dividends amounting to $3,555,000. That appears to be rather a good business. Just how do you account for it?

Mr. ANAWALT. You ask me how I account for it?

The CHAIRMAN. Yes.

Mr. ANAWALT. I would account for these dividends on the volume of business we do.

Mr. REED. I would suggest to the committee it would be interesting to know whether the actual capital exceeds the nominal capital of a half million dollars. The chairman asked him if that fairly repre-

sented it, and he said it did not, but the chairman did not go further into that.

Mr. BARTLETT. You have a capital of $500,000, and you say that does not fairly represent the value of the property. What is the value of your property?

Mr. ANAWALT. I do not pretend to give you the exact figures. I do not have them at hand, but from my knowledge of the business I would say we probably have $2,000,000 invested in the business.

Mr. BARTLETT. Invested?

Mr. ANAWALT. Invested in the business.

Mr. BARTLETT. The $500,000 represents only about one-quarter of the value of the property?

Mr. ANAWALT. Yes.

Mr. BARTLETT. So you have a stock worth 4 to 1?

Mr. ANAWALT. We have store properties—the buildings and stocks of merchandise in them—and we have a certain amount of capital employed in conducting the business all the time.

Mr. GARDNER. How much did you have invested in your business when it began with this $500,000 capital?

Mr. ANAWALT. I don't know that I am prepared to answer that question.

Mr. GARDNER. Give us the best guess you can.

Mr. REED. Mr. Gardner means in 1902, when you took over the limited partnership.

Mr. ANAWALT. That goes back to 1902, and I could not answer that question.

Mr. GARDNER. Did you have property worth $500,000?

Mr. ANAWALT. Oh, worth more than that.

Mr. GARDNER. Worth $750,000?

Mr. ANAWALT. I would say more than that.

Mr. GARDNER. Worth $1,000,000? Well, say somewhere between $750,000 and $1,250,000; would that be a fair estimate?

Mr. ANAWALT. I would not pretend to answer that question at all, or I would answer that question in this way—that our investment has always been in proportion to the business we were doing at the time. I do not remember what our business was in 1902. I can give you a pretty close guess at what we had invested.

Mr. GARDNER. You paid a dividend amounting to $400,000 in 1903?

Mr. REED. $250,000.

Mr. GARDNER. I beg your pardon; I did not mean to overstate it. $250,000 in 1903?

Mr. ANAWALT. Yes.

Mr. GARDNER. Would that serve as any indication to you?

Mr. ANAWALT. I could not go back to 1903 and from memory give you figures that would be worth anything.

Mr. BARTLETT. That was 50 per cent upon the capital stock, was it not, Mr. Gardner—$250,000?

Mr. GARDNER. Yes.

Mr. ANAWALT. That would probably be about that.

Mr. GARDNER. That is, your capital stock could be fairly said at that time to be a true representation of your property in 1902?

Mr. ANAWALT. Oh, no.

Mr. BEALL. I think maybe I can read something here that will clear it up.

Mr. GARDNER. Go ahead.

Mr. BEALL. It seems that the Union Supply Co., on March 22, 1902, made a proposition under which the Union Supply Co. (Ltd.) was purchased "to purchase all the assets of the Union Supply Co. (Ltd.), as they are on March 31, 1902, for the sum of $913,066.66, payable as follows: Four hundred and ninety-nine thousand dollars in the fully paid up capital stock of this company at par and the balance of $414,066.66, by this company assuming and agreeing to pay that amount of the indebtedness of the Union Supply Co. (Ltd.).

Mr. GARDNER. In other words, when you began business you had a capital stock of a half-million dollars and a surplus of between $400,000 and $500,000?

Mr. BEALL. About $414,000.

Mr. GARDNER. And that was left in the business, I take it. That is, they began with $900,000 worth of property and obligations?

Mr. BEALL. Yes; they assumed the obligations.

Mr. GARDNER. On $900,000 you earned $200,000 in the first year?

Mr. ANAWALT. It would probably be well for me to state here that this transfer of the Union Supply Co. (Ltd). to the Union Supply Co. was simply the continuance of a business that had been established 20 years prior thereto. The letters of the limited company had expired, and instead of renewing them, a charter, making the concern a corporation was taken out. So that this was really a continuance of the business.

Mr. GARDNER. I quite understand. What I was trying to get at was this, to be perfectly plain: To find out what the approximate valuation of your property was in 1902. Because when you find dividends as large as that you want to get at some explanation in your own mind why they are as large as that.

It may be because your real estate has appreciated; it may be for a great many different reasons. But you can easily see that it is an important fact for us to find out whether there is anything that comes from the fact you are dealing with employees of the United States Steel Corporation, which gave you excessive returns, or whether it is a fairly competitive business.

All these things are material in finding that out.

How much was actually invested in the business?

Mr. ANAWALT. I will say this——

Mr. GARDNER. I would like to interject just a question that would clear my own mind. He said when he was asked whether it was a subsidiary of the United States Steel Corporation, "Yes, practically."

What did you mean by practically?

Mr. ANAWALT. Not direct.

Mr. GARDNER. Who owns the stock in the Union Supply Co.?

Mr. ANAWALT. The Carnegie Steel Co.

Mr. GARDNER. That is what I wanted to know. I wanted to see whether you were directly connected.

Mr. YOUNG. When you organized this corporation was there any change in the ownership of the property?

Mr. ANAWALT. No change in the ownership.

Mr. YOUNG. It belonged to the Carnegie Steel Co. before that, and under its new form as a corporation it still belonged to them?

Mr. ANAWALT. That is correct.

Mr. YOUNG. Did you have any thing to do with its reorganization?

Mr. ANAWALT. I believe I am named as one of the directors, or prospective directors, who applied for the charter of the new company.

Mr. YOUNG. Do you know whether the ownership ever changed; whether in this reorganization you attempted in these figures of $913,000 to fix the real value of the property, or was that some arbitrary sum, based on what it had cost, or something of that sort?

Mr. ANAWALT. I had nothing to do with that, but I do not think there was any attempt made to fix the real value.

Mr. YOUNG. I asked that because we have had some experience with the Carnegie Co. in trying to find out what was its book value. We found it really meant nothing. It was a sort of arbitrary figure. I wanted to find if it was the same thing here.

What was the extent of business per year you did in 1910, for instance, about, when you made these large profits?

Mr. ANAWALT. Practically $4,000,000.

Mr. YOUNG. Can you remember what it was in the year you started in 1902?

Mr. ANAWALT. No; I don't remember that.

Mr. YOUNG. Do you remember about what it was in 1909?

Mr. ANAWALT. I can not answer that question, except I believe 1909 was one of our smaller years and that we did not have as much business.

Mr. YOUNG. Do you remember anything about 1907, which was generally a boom year, until toward the end when the panic struck us?

Mr. ANAWALT. In 1907 I think we had the largest business probably of any year.

Mr. YOUNG. Do you think it was over the $4,000,000 that you had?

Mr. ANAWALT. I do not know that it overran the $4,000,000.

Mr. YOUNG. Do you sell powder and fuse, and that sort of stuff?

Mr. ANAWALT. We do.

Mr. YOUNG. Is that sold to miners? Do they take contracts and furnish their own powder and fuse?

Mr. ANAWALT. That is sold to the miner.

Mr. YOUNG. Then you sell groceries and dry goods?

Mr. ANAWALT. Yes, sir.

Mr. YOUNG. And clothing, furnishing goods, and things of that sort?

Mr. ANAWALT. Yes.

Mr. YOUNG. And household goods?

Mr. ANAWALT. Yes.

Mr. YOUNG. Hardware?

Mr. ANAWALT. Yes.

Mr. YOUNG. Is there anything else of importance, any other class of goods?

Mr. ANAWALT. Meats; you might name them. Of course that goes into the living of every man—meats and provisions of all kinds.

Mr. YOUNG. Where are these stores situated?

Mr. ANAWALT. They are located in Westmoreland, Fayette, and Allegheny Counties, Pa.

Mr. YOUNG. How many stores are there altogether?

Mr. ANAWALT. We have 63 on our list; I believe there are 59 active stores.

Mr. YOUNG. Fifty-nine stores?

Mr. ANAWALT. Yes, sir.

Mr. YOUNG. These are situated at mining locations?

Mr. ANAWALT. They are.

Mr. YOUNG. All of them?

Mr. ANAWALT. All of them; yes.

Mr. YOUNG. Are they all at coal mines?

Mr. ANAWALT. Coal mines and coke-producing plants.

Mr. YOUNG. None of them are at steel mills?

Mr. ANAWALT. None are at steel mills.

Mr. YOUNG. At any of these places have you any competition from outsiders?

Mr. ANAWALT. We have at all of them.

Mr. YOUNG. Stores owned by men entirely unconnected with the Steel Corporation?

Mr. ANAWALT. Yes, sir. Let me add to that, that quite a number of these stores are located right at and close to some of the larger towns, where of course we have to compete with whatever there is in the way of business in those places.

Mr. YOUNG. Do the other stores sell powder and fuse?

Mr. ANAWALT. They do.

Mr. YOUNG. Are the miners at liberty to trade in these independent stores?

Mr. ANAWALT. They certainly are.

Mr. YOUNG. Are they at liberty to trade there in fuse and dynamite?

Mr. ANAWALT. In anything they may want to buy.

Mr. YOUNG. Do you do a credit business?

Mr. ANAWALT. To some extent.

Mr. YOUNG. When you sell to the employees of some subsidiary of the Steel Corporation, do you collect those bills through the office of the company? Are they taken out of the pay before the man receives his pay?

Mr. ANAWALT. We do not; not directly.

Mr. YOUNG. How do you do it indirectly?

Mr. ANAWALT. The employee makes an assignment to the Union Supply Co. We take that assignment ourselves, and in exchange for that assignment we give him a due bill which is good for the amount of the assignment at any of our stores, making that duebill a money exchange through those two or three counties wherever we may be located; and the amount of that assignment is paid by the mining company to us.

Mr. YOUNG. Are those assignments of wages to accrue in advance?

Mr. ANAWALT. No.

Mr. YOUNG. You only do that when the wages have been earned and the amount determined?

Mr. ANAWALT. It could not be legally done otherwise.

Mr. YOUNG. Well, there might be some doubt about that. I do not know what the law of Pennsylvania is.

Mr. ANAWALT. Well, that is the law of Pennsylvania.

Mr. YOUNG. How often are these men paid?

Mr. ANAWALT. Semimonthly.

Mr. YOUNG. How long before the pay day is the amount ascertained so you can take any assignments?

Mr. ANAWALT. The amount can be ascertained every day.

Mr. YOUNG. But when is it, as a matter of fact, that you know it and can taken an assignment and give a duebill in its place? How long before pay day?

Mr. ANAWALT. As soon as the man's labor for the day is entered upon the pay roll we can get the information.

Mr. YOUNG. How do you, as a matter of practice, get it and how long before pay day?

Mr. ANAWALT. I don't know as I understand that question exactly.

Mr. YOUNG. You do not take these assignments from day to day, as the men go on, do you?

Mr. ANAWALT. Oh, yes.

Mr. YOUNG. I understood you to say that these men—many of them—were working on contract?

Mr. ANAWALT. I did not say so.

Mr. YOUNG. I asked you the question if you sold the men fuse and powder, and in connection with that I asked if they were on contract, and I understood you to say yes.

Mr. ANAWALT. I misunderstood your question if I answered yes to that. What do you mean by being on contract, or under contract?

Mr. YOUNG. If they are taking out coal, that is coal at so much a ton, and if driving a drift, so much a foot.

Mr. ANAWALT. I do not know that they are under any contract. except there is a certain scale of wages paid to the man for doing that labor, and he knows when he goes into the mine that is what he is going to get.

Mr. YOUNG. And yet he furnishes his own mining supplies—his powder and fuse?

Mr. ANAWALT. He does.

Mr. REED. That is customary throughout the district, Mr. Young.

Mr. YOUNG. That is what I wanted to get at. Then he is paid by the ton, or by the foot, or something of that kind; he is not paid by the day?

Mr. ANAWALT. No; he is paid by the quantity of coal he gets out.

Mr. YOUNG. Then it really is a contract?

Mr. ANAWALT. You might call it that, I guess.

Mr. YOUNG. Are there any other charges against him from the mining company except the things you furnish through the store, in his business as a miner; anything else he has to pay the company for?

Mr. ANAWALT. I can not answer that question as a matter of personal knowledge. I am not interested except in the one department.

Mr. YOUNG. Are these men paid twice a month?

Mr. ANAWALT. They are.

Mr. YOUNG. Do you take these assignments and due bills from all the employees with whom you trade, or only when you are a little afraid of the man?

Mr. ANAWALT. Oh, no; we take them from all.

Mr. YOUNG. So you really do not trust the men at all?

Mr. ANAWALT. Well, we do trust the men.

Mr. YOUNG. How, if you have an assignment of his money, and you know each day how much it is? How do you trust him?

Mr. ANAWALT. The question was asked if we did any credit business. I said to some extent. Now, we do credit most of those people for certain things. For instance, I suppose 90 per cent of our people have what we call meat books, on which they buy anything that is sold through our meat market on a semimonthly credit, and for that we get no guaranty until the end of that period, when they pay their bills. Then they make an assignment and get these due bills and pay their bills.

Mr. YOUNG. Is there any difference in the treatment of the men by the company when they trade with your store or when they trade with the independents?

Mr. ANAWALT. I am not on that side of the house, but I can answer that question from personal knowledge, I think, and I certainly think there is not.

Mr. YOUNG. Do you ever report to the mining company that such a man "don't trade with us now; he has gone off to John Smith," or whoever the competitor may be?

Mr. ANAWALT. It would not be worth while for us to do so.

Mr. YOUNG. Well, do you do so?

Mr. ANAWALT. We do not.

Mr. YOUNG. Do the men make any objection to trading at these—do they call them company stores?

Mr. ANAWALT. Company stores.

Mr. YOUNG. Do they make any objection to that?

Mr. ANAWALT. They do not. It would not be necessary. If a man don't want to deal with the store, he don't do it. And I may just add there that the mining companies have large numbers of men who do not.

Mr. YOUNG. Does he feel under any moral pressure to trade at the company stores?

Mr. ANAWALT. I should think not. There is no reason why he should.

Mr. GARDNER. Does he feel he can ingratiate himself with his employer if he does?

Mr. ANAWALT. I don't think so.

Mr. BEALL. Does the company recognize an assignment of his wages made to any other establishment than this?

Mr. ANAWALT. I don't know about that. I should think they would have to, if it was made.

Mr. BEALL. You are in a position to secure from the company at any time you desire to do so the amount of wages that is due to any particular employee?

Mr. ANAWALT. We can do that.

Mr. BEALL. Well, I presume you do that before you accept one of his assignments. You find out how much wage is actually due the man.

Mr. ANAWALT. That is necessarily so; yes.

Mr. BEALL. Do you know whether the same privilege would be extended to any independent concern with whom the men might want to trade? Do you know whether that information is available for others or not?

Mr. ANAWALT. I don't know that it would be; I don't know about that.

Mr. BEALL. Well, without that information you would not feel safe in accepting an assignment, would you?

Mr. ANAWALT. We would feel just as safe as an independent merchant, if the independent merchant credits a man only on the knowledge he has that the man is working and earning something with which to pay his bills; and we would credit him under the same conditions, and do.

Mr. BEALL. But you are not content to give credit upon that basis; you require more definite information than that.

Mr. ANAWALT. We have done so, and do so.

Mr. BEALL. It is an exceptional case, and ordinarily you require this assignment?

Mr. ANAWALT. Good business would demand that.

Mr. BEALL. Without the means of obtaining information as to the amount due him, and without the opportunity to secure this assignment, you would not trade with him as you do now; you would not sell him on credit to the same extent you do now?

Mr. ANAWALT. I don't know. That is a proposition that never came before me; but I am free to say that with most of those people I would be willing to credit them.

Mr. BEALL. That is, you would be willing to credit the ones you personally know?

Mr. ANAWALT. The man I personally know, that I know is employed and earning money to pay his bills with; with such a man I would take the same chance as the independent merchant does with him.

Mr. BEALL. But you don't do it.

Mr. ANAWALT. No; it is not necessary with us.

Mr. BEALL. And that is the advantage which you have over your competitors?

Mr. ANAWALT. We have that advantage; yes.

Mr. BEALL. You would not permit the managers for the various stores, the 59 stores, to extend credit generally to these employees unless you had the opportunity of protecting yourselves by getting an assignment of their wages.

Mr. ANAWALT. Not indiscriminately; no.

Mr. GARDNER. Does the company deny to these other stores—I thought you said the company accorded the same privilege to the other stores that they accorded to you; that it was necessary under the law.

Mr. ANAWALT. I said they would possibly have to accept the assignment, if it was made.

Mr. GARDNER. Do they give information to the other stores in the same way they do to you?

Mr. ANAWALT. No; I should think not.

Mr. GARDNER. That is, the information would be denied? If I were one of your competitors and I went to the company and said, "Is it true that John Jones is working at so much a day, and that he will be paid on the 15th," they would not tell me whether that was so or not?

Mr. ANAWALT. That information would be given.

Mr. GARDNER. What information is denied to them that is given to you?

Mr. ANAWALT. I do not know that there is any. If an independent merchant went to the office of the mining company and asked about the earnings of certain employees I think it would be given to him.

Mr. GARDNER. Suppose he telephoned, would it be given to him?

Mr. ANAWALT. I think it would.

Mr. GARDNER. Wherein do you have the advantage over your competitors? Do the companies make a voluntary statement from time to time to your concern as to how much is due each man, and who the workmen are?

Mr. ANAWALT. I do not know that they do.

Mr. GARDNER. I thought you said to Mr. Beall something about that was one of the advantages which you have over your competitors; I thought you made some such statement. Now, what advantage did you refer to?

Mr. ANAWALT. We are there, we are right on the ground, we are in touch with them; we can call the office very easily and ask about a man. We have that advantage over the competitors who may be a half mile or a quarter of a mile away, or farther, a longer distance.

Mr. GARDNER. Is that all the advantage—the fact that he has got to telephone a mile and you have to telephone only across the street, perhaps?

Mr. ANAWALT. I do not know that there is any other special advantage that we have.

Mr. GARDNER. How do you account for these very large profits?

Mr. ANAWALT. I do not account for them at all; I do not think we have them.

Mr. REED. That is not a very intelligible answer, Mr. Anawalt.

Mr. ANAWALT. He asked how I account for the large profits. I do not think we have a large profit.

Mr. YOUNG. You have paid 10 or 12 per cent to your stockholders, according to your statement, as to what the dividends were in these later years.

Mr. ANAWALT. I stick to my answer.

Mr. YOUNG. You do not think that is an unreasonable profit?

Mr. ANAWALT. No.

Mr. YOUNG. In the way you do business you do not have any losses.

Mr. ANAWALT. Practically none.

Mr. GARDNER. When pay day comes, can an employee go to the office and get a check and go to the bank and get his money if he wants it?

Mr. ANAWALT. On pay day the employee is paid in cash.

Mr. GARDNER. That is where he has not assigned his wages to the store?

Mr. ANAWALT. Where he has not assigned his wages.

Mr. GARDNER. He can have his choice in that regard?

Mr. ANAWALT. He has his choice. Many of them accept it by not buying anything from us.

Mr. GARDNER. I have not got it through my head yet whether you have or have not an advantage over your competitors, from the fact that you are a subsidiary to the Carnegie Steel Co.

Mr. ANAWALT. There is not any doubt but that being a subsidiary, and practically belonging to the same family, we may have that advantage in being in close touch with these people there.

Mr. GARDNER. In what ways are you in closer touch than a competitor?

Mr. ANAWALT. We know them a little better.

Mr. GARDNER. In what way does personal acquaintance help you? Can you borrow money from the Carnegie Steel Co.?

Mr. ANAWALT. No; we do not do that.

Mr. STERLING. Do you get their business by giving them better bargains, or do you get it by reason of the fact that there is some influence exercised over them to induce them to trade at your store?

Mr. ANAWALT. We get their business by giving them better goods, or at least as good quality of goods as they can buy from individuals. We give them to them under the best of sanitary and other good conditions, and at least at as low prices, and in many instances lower prices than they can buy them for from our competitors.

Mr. DANFORTH. Have you any idea of the proportion of these miners dealing with your competitors? Could you give the percentage?

Mr. ANAWALT. I have no figures, but to venture an estimate, I would say pretty nearly 100 per cent do some dealing with other people.

Mr. DANFORTH. Are there any of these miners or their families who do not do any business with you or with your stores?

Mr. ANAWALT. Oh, yes.

Mr. DANFORTH. And do all their business with your competitors?

Mr. ANAWALT. Yes.

Mr. DANFORTH. What percentage of the miners and their families do you think do that?

Mr. ANAWALT. I could not say as to that. That varies a great deal at different places.

Mr. GARDNER. I suppose a woman going shopping would be very apt to drop in the various stores, yours and others, and might buy at one and buy at another?

Mr. ANAWALT. They do that.

Mr. GARDNER. According to whether the provisions look a little more attractive, or the price is more attractive. That might vary from time to time.

Mr. BEALL. Is there any other concern that has a chain of stores in that region, which is your competitor at different places?

Mr. ANAWALT. The mining companies all have them.

Mr. BEALL. In that region there are different mining companies than the Carnegie Co.

Mr. ANAWALT. There are.

Mr. BEALL. Each of these companies has its chain of stores?

Mr. ANAWALT. Yes, sir.

Mr. BEALL. Located frequently in the same town with or near yours?

Mr. ANAWALT. Yes.

Mr. GARDNER. What percentage of your goods are perishable?

Mr. ANAWALT. From 30 to 40 per cent.

Mr. GARDNER. And when one store shows a likelihood of running short it is supplied by some other store in the same chain, is it?

Mr. ANAWALT. That is sometimes done.

Mr. MCGILLICUDDY. I understand you to say that 90 per cent of your customers were steel company employees?

Mr. ANAWALT. I ventured that guess.

Mr. McGILLICUDDY. Are your stores all of them located at points where there are employees of this company? You have no stores at any other points?

Mr. ANAWALT. We have no stores at any other points.

Mr. McGILLICUDDY. So that 90 per cent of all of your patrons are employees of the company?

Mr. ANAWALT. That may be true.

Mr. McGILLICUDDY. Yes; approximately. Now, you said you could not give them——

Mr. ANAWALT (interposing). Let me add to that, please, so that you will understand: These plants, many of them, are located where there are very few people except the employees.

Mr. McGILLICUDDY. I understand that.

Mr. ANAWALT. And the stores are there for that reason.

Mr. McGILLICUDDY. If you can give customers goods at such advantageous prices as you say and still make a good profit, why don't you do business generally in other places, instead of just at places where you have employees of these companies as patrons?

Mr. ANAWALT. That question has been considered.

Mr. McGILLICUDDY. Why don't you do business elsewhere if it is profitable, and you have no particular advantages there?

Mr. ANAWALT. For the reason that we are not in the mercantile business so much from choice as we are from a matter of necessity.

Mr. McGILLICUDDY. Is that your answer?

Mr. ANAWALT. That is the answer.

Mr. McGILLICUDDY. Have you ever tried it anywhere else; ever tried any stores anywhere except where you have these employees for patrons?

Mr. ANAWALT. We have, as I answered before, stores located where we are close to other people, and we get some of their business.

Mr. McGILLICUDDY. Have you any stores located in any localities where there are no steel company employees?

Mr. ANAWALT. No.

Mr. McGILLICUDDY. What I want to know is, if it is such a profitable business and you have no advantages where the employees are, why don't you go somewhere besides where there are these employees?

Mr. ANAWALT. I answered that question by saying we are not in the mercantile business from choice, but we are in the mercantile business as a matter of necessity so far as the operating of those plants is concerned.

Mr. McGILLICUDDY. What is the necessity to the steel company? Could not these people get their goods at other places if you should go out of business altogether?

Mr. ANAWALT. They have not found it possible to do so satisfactorily.

Mr. McGILLICUDDY. You have not given them any chance to do it.

Mr. ANAWALT. They have had a chance to try it.

Mr. McGILLICUDDY. Where?

Mr. ANAWALT. You want specific instances?

Mr. McGILLICUDDY. Certainly. I asked you where?

Mr. ANAWALT. We have three places in operation to-day that were opened and started because of a petition circulated and pre-

sented to us by employees of the mining company requesting us to do so.

Mr. McGillicuddy. Is that all?

Mr. Anawalt. We have had instances within the past year—two that I have in mind now—where the company attempted to operate their plants and could not get the men to do it until we established our stores which had been closed on account of the plants being closed down and people having gone away.

Mr. McGillicuddy. That is the only reason you limit yourselves to places where the company does business?

Mr. Anawalt. That is it.

Mr. Bartlett. I would like to ask a question right there. You had a capital stock of $1,000 and it was later increased to $500,000. Now, on March 31, 1902, when you purchased the assets of the Union Supply Co. (Ltd.) you purchased them for $913,066.66. That is what you agreed to pay. You issued to them $499,000 of the capital stock of your company and the balance of that $913,066.66, which was the purchase price of the Union Supply Co. (Ltd.)—$414,066.66—was what you agreed to pay for the debts that they owed; is that true?

That is what it stands in this statement. While you agreed to pay $913,066.66 for purchasing the business of the Union Supply Co. (Ltd.), of that $913,066.66 part of the purchase price which came off of it was $414,066.66, which were the debts which you assumed.

You did not pay them that amount and then pay the debts in addition, did you?

Mr. Anawalt. I can not answer as to those figures there. As I explained a while ago, that was only a mattter of changing a limited partnership over to a corporation that belonged to the same people. I don't know what those figures are. They may have been taken from the books. I don't know.

Mr. Bartlett. This seems to have been taken from the minutes. We proceeded along here for a while on the idea that you had a capital investment of $913,000, because that was the price according to these minutes which you agreed to pay the other company for its assets and business. But it appears from those minutes that of the $913,000 you had agreed to pay $499,000 in the capital stock of the company at par and the balance by your assuming the debts of the company which you purchased. That being true, then, the $414,000, whatever the difference was, you agreed to pay for the liabilities, and that would not be a part of your capital stock, would it? In other words it would become a liability, would it not?

Mr. Reed. It is as if there was paid a half million to one person and $400,000 to another person.

Mr. Gardner. It would be an investment like an income from bonds.

Mr. Bartlett. What is the market value of the stock? If any has been sold, what did it sell for?

Mr. Anawalt. I do not know that it has any market value.

Mr. Bartlett. The shares are issued, are they not?

Mr. Anawalt. They are issued.

Mr. Bartlett. There are none on the market and none sold?

Mr. Anawalt. No, sir.

Mr. DANFORTH. The situation, as I understand it, is that when you made the transfer from the limited company to the corporation you took over $900,000 and odd worth of property. You paid for that by issuing $500,000 worth of stock and assuming the liabilities up to something like $414,000.

Mr. ANAWALT. That, I believe, is what the minutes show.

Mr. DANFORTH. That is the situation, is it not; that was the situation?

Mr. ANAWALT. I can not say as to that.

Mr. DANFORTH. That would apparently be the situation from the face of the minutes.

Mr. BARTLETT. You did not pay them $913,000 and pay the debts, too, in addition, of $414,000. That was not the trade?

Mr. ANAWALT. I don't know; I can not see that as you do.

Mr. BARTLETT. Have you no personal knowledge about the matter?

Mr. ANAWALT. I can not see there is any trade in it at all. It was only a matter of trading dollars. It was only a matter of turning the same concern over into a corporation which had formerly been a limited partnership. I do not know how those figures were fixed at that time. It may have been a guess.

Mr. DANFORTH. The books must have shown these figures at that time?

Mr. ANAWALT. That might be true.

Mr. DANFORTH. Shown the amount of liabilities and the amount of property?

Mr. ANAWALT. That would be a question of bookkeeping. I can not answer that.

Mr. BARTLETT. You have no personal knowledge?

Mr. ANAWALT. Not of that transaction.

Mr. BARTLETT. You have no personal knowledge of the organization of the Union Supply Co.? How long have you been one of its officers? Since its organization?

Mr. ANAWALT. I have been an officer since 1891, but up until 1903 I was its general superintendent, in charge of operations in the field, and knew very little about this bookkeeping question.

Mr. BARTLETT. You did not know anything about the reorganization of the old company into the new?

Mr. ANAWALT. I knew that they did that.

Mr. BARTLETT. And you took no personal part in it?

Mr. ANAWALT. I took no personal part in it.

Mr. BARTLETT. And was not an officer of either corporation at the time?

Mr. ANAWALT. I was the general superintendent of the Union Supply Co. (Ltd.), and became the general superintendent of the Union Supply Co. at that time.

Mr. BARTLETT. What were your duties as general superintendent?

Mr. ANAWALT. I said I was in charge of operations in the field.

Mr. BARTLETT. But you knew nothing about the plan of the reorganization of the Supply Co. (Ltd.) into the new company?

Mr. ANAWALT. I did not.

Mr. BARTLETT. And had no stock in either one?

Mr. ANAWALT. I became a stockholder, I believe—that is, I became a director in the new company at that time.

Mr. BARTLETT. And was not one in the old? Was the old one a partnership or a corporation?

Mr. ANAWALT. A partnership.

Mr. BARTLETT. Were you one of the partners of the Supply Co. (Ltd.) before the formation of this corporation?

Mr. ANAWALT. I am not positive about that, but I think not.

Mr. BARTLETT. Your first connection as having a pecuniary interest was after the formation of the new company?

Mr. ANAWALT. Yes; I have never been interested pecuniarily.

Mr. GARDNER. Did the witness understand the question? I think he testified that the whole pecuniary interest was held by the Carnegie Steel Co.

Mr. ANAWALT. That is true.

Mr. GARDNER. Mr. Bartlett asked you whether your first pecunary interest in the company was after its reorganization, and you said yes.

Mr. BARTLETT. He said he was a stockholder.

Mr. ANAWALT. I said I was a director in the new company. I had to have a qualifying share of stock in order to be a director. That is required by the by-laws.

Mr. YOUNG. As a matter of fact, the stock really belonged to the Carnegie Co.?

Mr. REED. It was the general arrangement.

Before the committee finishes with the witness I wish to request that somebody ask him how the profits of this corporation or of the business which it has done compare with the profits of other mercantile businesses in the same district with similar businesses.

Mr. YOUNG. I will ask him that question, if he knows. I do not suppose he would know much about the others, unless he is interested in some.

Mr. ANAWALT. I have already made the statement that our merchandise is sold at equally low and in many instances lower prices than other people sell it at. After all it would become a question of management and expense in handling the business as to what the net profits might be, of course.

Mr. GARDNER. Have you any knowledge of what are the net profits in other mercantile establishments of like kind in your district?

Mr. ANAWALT. I have of some of them.

Mr. GARDNER. Will you specify?

Mr. ANAWALT. I do not believe there are any of them that make any less money in per cent of profits than we do.

Mr. YOUNG. It would depend on the trading?

Mr. ANAWALT. Yes. Speaking of this question of prices, the gentleman asked me about the supplying of powder: The principal explosive used by the miners at present is sold by our concern at a very low rate of profit.

Mr. BEALL. What grade of powder is it?

Mr. ANAWALT. The mining company are using Monobel. That is a so-called safety explosive.

Mr. YOUNG. What do you get for it?

Mr. ANAWALT. We are selling that to the miner at the present time at 6½ cents a stick, or rather 4 sticks for 25 cents.

Mr. YOUNG. How much do 4 sticks weigh?

Mr. ANAWALT. About 2 pounds. A better way to put that is, 1½ by 8 inches, Monobel——

Mr. BEALL. That is about 12½ cents a pound?

Mr. ANAWALT. Yes.

Mr. DANFORTH. Do you know what the other independent merchants sell that same explosive for; what their price is?

Mr. ANAWALT. I do not, except I know it is more than ours. I can not tell you the exact price. I will say it is more than our price.

Mr. BEALL. You have already stated you have competitors that were members of a like chain of stores belonging to other coal companies. Do you know whether they issue these orders or give these assignments, whether their employees give these assignments of wages, in these other stores?

Mr. ANAWALT. I think most of them do.

Mr. BEALL. If one of the employees of one of these other stores should come into your establishment, would you take an assignment of wages from him? Do you do it?

Mr. ANAWALT. I do not know that we would. In the first place I would not know the man at all; am not likely to know him.

Mr. BEALL. Then I understand you do not do that?

Mr. ANAWALT. No.

Mr. BEALL. If you were disposed to do it, could you get information from these rival companies as to the amount of wages due him?

Mr. ANAWALT. That I do not know; that I have never tried.

Mr. BEALL. Have you ever tried it, after 20 years' experience in this work?

Mr. ANAWALT. No.

Mr. BEALL. You have never tried to get an assignment of wages from an employee of any of these other companies?

Mr. ANAWALT. Never tried that; no.

Mr. BEALL. You have never sought to obtain from these other companies information as to the amount of wages due one of their employees?

Mr. ANAWALT. No.

Mr. BEALL. And you do not think, as a matter of fact, that these opposition concerns could obtain from your coal company the information that you say you have never sought to obtain from their coal company?

Mr. ANAWALT. I think they could. I do not know of any reason why it should be denied them, if they wanted to know.

Mr. BEALL. Why is it you have never asked for it? Naturally, you desire to sell as many goods as possible, and there are, say, hundreds and thousands of employees around about you that are working for other concerns; they are getting wages, and you naturally would want to get some of that business. Why is it that you have not secured that business?

Mr. ANAWALT. Well, but I do not know that we do want to.

Mr. BEALL. You have your concerns open. You are selling, and sell to anybody?

Mr. ANAWALT. I stated those concerns were there, many of them as a matter of necessity, to supply those people with their wants and needs.

Mr. BEALL. Inasmuch as you have the concerns there you want to make just as much profit out of them as you can, don't you?

Mr. ANAWALT. Yes.

Mr. BEALL. And the more customers you can secure the more your profits will be; and if the way was open and clear and plain by which you could handle these assignments from the miners of these opposing companies, you would do it, would you not?

Mr. ANAWALT. I would be very glad to accept the assignment of an employee of some other company if he would come to us and offer it.

Mr. BEALL. There is some reason why it is not done?

Mr. ANAWALT. Well, it is not convenient—it would not be convenient to the employee himself.

Mr. BEALL. But oftentimes his store is right close to yours, is it not?

Mr. ANAWALT. Not right alongside of us; not as convenient to the employee as the store of his own plant would be.

Mr. BEALL. Is it not a fact that some of them might live more conveniently to your stores than to their own company's stores?

Mr. ANAWALT. That is true.

Mr. GARDNER. Are your stores mostly on your own plant?

Mr. ANAWALT. Mostly on the plants.

Mr. GARDNER. And the others are mostly on their own plants?

Mr. ANAWALT. Yes. They are made just as convenient to the people as they possible can be made.

Mr. BEALL. How close together are any of these stores, your store and the opposition stores?

Mr. ANAWALT. I don't know. A coal plant usually has an acreage of several hundred acres of coal, and the next plant would have to be on a similar field. We have them within a mile of us.

Mr. BEALL. Do the miners of your company all live on the property of the coal company?

Mr. ANAWALT. Not all; most of them in most cases.

Mr. BEALL. Will you say as a general rule that in so far as your employees are concerned you have the advantage in securing their custom; you have an advantage over your rivals in addition to the location?

Mr. ANAWALT. I do not know what it would be.

Mr. BEALL. You do have the opportunity to secure these assignments of wages?

Mr. ANAWALT. We do that

Mr. BEALL. That your rival does not have in so far as your mine is concerned?

Mr. ANAWALT. Yes; but it is not——

Mr. BEALL (interposing). But you do not have the same opportunity in so far as his mine is concerned?

Mr. ANAWALT. But it is not necessary for the man to have this assignment of wages.

Mr. BEALL. But it is very convenient. It frequently happens that it is almost necessary for him to operate in that way.

Mr. ANAWALT. That might happen in some cases, but not frequently and not in a majority of cases.

Mr. BEALL. What class of people are these employees generally, in these coal mines, what nationality? Is there any large per cent of Syrians among them?

Mr. ANAWALT. We have all nationalities; I would say practically all.

Mr. BEALL. A great many Poles and Hungarians?

Mr. ANAWALT. We have a good many Poles and a good many Hungarians.

Mr. BEALL. The great majority of employees in coal mines are foreigners?

Mr. ANAWALT. In all coal mines I guess at the present time.

Mr. BEALL. And a great many different languages are spoken?

Mr. ANAWALT. Yes.

Mr. BEALL. They do not get very extravagant wages do they—the coal miners?

Mr. ANAWALT. I think they get very fair wages.

Mr. BEALL. Do a great number of them become exhausted of their wages before pay day and come to the store and give these assignments of wages?

Mr. ANAWALT. Not very many of them.

Mr. BEALL. Only a small percentage of employees trade with you upon the basis of assignment of wages?

Mr. ANAWALT. Most of them make the assignment of wages as a matter of convenience, I think, as much as for any other reason. I will further add that I think the majority of employees of the mining companies who deal with us could get credit elsewhere.

Mr. BEALL. What is the element of convenience to get this certificate for assignment of wages? They do that and it passes current as money?

Mr. ANAWALT. That is it.

Mr. BEALL. It would ordinarily happen that before a man would make an assignment of wages his money would be exhausted, would it not? It would be necessary? That would be the only reason that would prompt him to accept one of these certificates in preference to waiting until pay day and accepting the money?

Mr. ANAWALT. That is not the only reason.

Mr. BEALL. What use would they have for it except to use it for money?

Mr. ANAWALT. I know there are a great many of them who have very nice bank accounts and at the same time are making assignments every two weeks right along, as they need their stuff.

It is very convenient for a man to walk into the store and ask for an assignment for a dollar if he wants to buy a few goods at the store. He may not have the dollar in his pocket, but he may have—frequently they do have—but when he makes the assignment he makes that on wages that are due him. He does not make it on he money he has in his pocket, and he can make use of that dollar possibly some other way, or he prefers to have the dollar and have the assignment against the wages that he will be paid, or should be paid, within 10 days or so.

Mr. BEALL. What sort of a certificate is given to him?

Mr. ANAWALT. It is a small punch check, as we call it, calling for one or two dollars' worth of goods, or $5.

Mr. BEALL. Say it is $5. Then, has it got a column over here 5 cents, 10 cents, 25 cents, 50 cents, and $1, and so on, that you can punch?

Mr. ANAWALT. In the case of a $5 check they are numbered from 1 to 500. We use that particular check or order so that the customer can readily see at all times what has been taken off his check for each purchase. In other words, our business is open and aboveboard. We make no sales for which we do not make a bill in duplicate and give the customer one copy of it.

If there is a child comes to the store with this order, or a woman, and the man at home wants to see what she has been doing when she gets home, she shows the bill and shows this check, showing that the amount was punched from the check that the bill calls for. It aids in correcting errors and in preventing disputes as to what your dealings might have been.

I think that is another reason why many of these people prefer to use the store order, because they have always got in their hands the evidence of their dealing and what their last purchase was.

The CHAIRMAN. These stores are located at mines, are they not?

Mr. ANAWALT. Yes, sir.

The CHAIRMAN. Right near the mines? What is the character of these stores, or these buildings? I see in the minutes here there are three of them, where estimates are given. The building at Hecla, Pa., has a value of $3,000, and that at Trauger, $3,500. Does that price include the building and grounds?

Mr. ANAWALT. Yes. That is a very low valuation, I would say, on those properties.

The CHAIRMAN. How did you happen, if you had sixty-odd stores, to value two of them here—the two that I have mentioned—under the heading in these minutes "Purchased stores of Hecla Supply Co. (Ltd.) as follows"?

Mr. ANAWALT. That was the purchase price of those buildings.

The CHAIRMAN. Was the Hecla Co. another company, not connected with the Steel Corporation?

Mr. ANAWALT. Yes, sir.

The CHAIRMAN. And these prices are what you paid the Hecla Co. for the different stores and goods?

Mr. ANAWALT. That is it.

The CHAIRMAN. How did the Hecla Co.'s stores compare in size and character with the other stores—the other 60 stores that you own?

Mr. ANAWALT. Very poorly, the majority of them.

The CHAIRMAN. Are they built of frame or brick?

Mr ANAWALT. Both frame and brick.

The CHAIRMAN. What is the size?

Mr. ANAWALT. That depends upon the amount of business we expected, which would depend on the number of people who are employed at the plants, and what we might expect from the outside. That is all figured on before the building is erected.

The CHAIRMAN. I understand; but these stores in a mining camp are as a rule more or less alike. Nobody has ever been through a mining camp, or was raised in and around one, but knows what a company store is, in the main. It is usually a store with a porch in front, 50 or 60 feet front, running back 60 or 80 feet. Is not that true? It may be built of brick or wood; sometimes a one-story building and sometimes a two-story building.

Mr. ANAWALT. Would you allow me to ask you a question?

The CHAIRMAN. Ask anything you like.

Mr. ANAWALT. Have you ever been in a mining camp where they have good stores?

The CHAIRMAN. I think I have.

Mr. ANAWALT. We have store buildings the dimensions of which are 60 by 100 feet. That is perhaps the largest building we have. We have some that are not much more than half that large, depending upon the amount of business we do. We have some store buildings that have cost us $30,000 to erect.

The CHAIRMAN. How many have you of that kind?

Mr. ANAWALT. We have, I believe, some that cost between $25,000 and $30,000. We have quite a number that cost us $20,000 and we have quite a number that cost $15,000. We have two buildings under construction now that will cost us about $18,000.

The CHAIRMAN. What is the average cost of these buildings—of these 60 stores?

Mr. ANAWALT. I can not tell you that.

The CHAIRMAN. They are almost without exception one and two story buildings, are they not?

Mr. ANAWALT. Two-story buildings, as a rule.

The CHAIRMAN. The upper story is used for a hall or some such purpose, as a rule?

Mr. ANAWALT. They are used for store purposes entirely. The upper story is used as a furniture room, and like that.

The CHAIRMAN. These stores are supplied with such furniture and clothing and other supplies as the miners buy, are they not?

Mr. ANAWALT. Yes, sir.

The CHAIRMAN. Is that an expensive or inexpensive character of goods?

Mr. ANAWALT. We have both.

The CHAIRMAN. What kind do they usually buy?

Mr. ANAWALT. We supply all classes of the men, from the superintendents of our plants down to the lowest-paid miners employed in the place.

The CHAIRMAN. What proportion of employees of the company are not miners?

Mr. ANAWALT. That would be very small.

The CHAIRMAN. Not more than one-twentieth are people in the class of superintendents and overseers and positions of that sort.

Mr. ANAWALT. Yes.

The CHAIRMAN. The rest of them are miners. Now, you have here at this Hecla store $10,000 worth of fixtures and the like of that. That was the invoice price when you bought it, was it not?

Mr. ANAWALT. Yes.

The CHAIRMAN. Your stores, on the average, were they as expensive as the Hecla store—as well furnished?

Mr. ANAWALT. More so.

The CHAIRMAN. How about your store at Trauger? Did that come up to the average?

Mr. ANAWALT. There is not very much difference between the Trauger and Hecla stores. They belonged to the same people, in the same plant. When we bought them they had been in use approxi-

mately 20 years. They were frame buildings, much depreciated in value from their original cost.

The CHAIRMAN. These dividends I see that were declared. What disposition was made of those dividends?

Mr. ANAWALT. They were paid to the Carnegie Steel Co.

The CHAIRMAN. And from them went into the Steel Corporation's general fund?

Mr. ANAWALT. I suppose so.

The CHAIRMAN. When you wanted to purchase new stock, where did you get your money?

Mr. ANAWALT. We get the money from our own capital that we keep invested in the business all the time.

The CHAIRMAN. These dividends were amounts you took out of the business—clear profits—and were not put back into it?

Mr. ANAWALT. No.

The CHAIRMAN. I notice here you declared a dividend in 1907, for instance, of $40,000 a month—about 10 different dividends. How did you happen to declare these each month?

Mr. ANAWALT. I do not know that there is any special reason for that, except the board of directors has a regular monthly meeting, and if they have anything to declare a dividend from they declare it. There is a meeting held every month. How many dividends do you say were declared?

The CHAIRMAN. I noticed in 1907 you declared dividends of $40,000 each in the months of January, February, March; April was skipped; May, June, July, August, September; October was skipped; November, and December—10 months.

Mr. ANAWALT. There were two months they did not have any money to declare a dividend from.

The CHAIRMAN. Some of them are from $40,000 to $60,000. Here is one in July for $80,000.

Mr. ANAWALT. When the board of directors meets each month, if they have anything to declare a dividend from, they do it.

Mr. BARTLETT. How many corporations or concerns do you recall that declare monthly dividends of any character?

Mr. ANAWALT. I do not know of any. I have no knowledge of any outside concerns. I think possibly that some of the other Steel Corporation companies do that. That is my understanding.

Mr. BARTLETT. Monthly or quarterly?

Mr. ANAWALT. Possibly quarterly. We have a company ourselves that declares a dividend quarterly.

Mr. BARTLETT. A business concern that declares monthly dividends—its stock would be very much sought after, would it not, if it was obtainable?

Mr. ANAWALT. I suppose it would.

Mr. BARTLETT. And those that declare quarterly dividends are regarded as a high class of stock investment?

Mr. ANAWALT. They ought to be.

Mr. BARTLETT. The Standard Oil Co. declares a quarterly dividend usually, do they not?

Mr. ANAWALT. I don't know.

Mr. BARTLETT. A security, a stock, or a bond that paid interest quarterly would be considered a very high class security, would it not?

Mr. ANAWALT. I should think so.

Mr. BARTLETT. And one that declared dividends monthly would be regarded as a still higher grade security for investment, would it not?

Mr. ANAWALT. I don't know about that.

Mr. BARTLETT. A man who could get his interest monthly would not prefer that to an investment where he got his interest semiannually or quarterly. Would not you as a business man prefer to have you money invested in a concern in which you got monthly dividends than in one where you got semiannual dividends?

Mr. ANAWALT. As to the significance of declaring these monthly dividends, as I just said, we have another company that is doing a smaller business, that declares dividends quarterly. If I was to have the stock I would as soon have it in one as in the other. It would not make any difference to me.

Mr. BARTLETT. Probably it would be a safer investment and much more desirable where the dividends are issued quarterly or monthly.

Mr. ANAWALT. The monthly dividends are only issued as a matter of convenience. The concern earns the money, and you might as well declare the dividends monthly as quarterly.

Mr. BARTLETT. A concern is very fortunate in business that is able to declare quarterly dividends, is it not?

Mr. ANAWALT. I think so.

Mr. BARTLETT. And much more fortunate when it can declare monthly dividends?

Mr. ANAWALT. We think we are very fortunate in business.

Mr. BARTLETT. I have no doubt you are. None of these dividends went back into the business and improvements, did they?

Mr. ANAWALT. No.

Mr. BARTLETT. And the stock has not increased any since 1902?

Mr. ANAWALT. No. You mean the capital stock?

Mr. BARTLETT. That is what I mean; I did not mean the merchandise. The stockholders, whoever they may be, got their dividends in money as a dividend upon their investment.

Mr. ANAWALT. Yes, sir.

The CHAIRMAN. The committee will stand adjourned until Monday morning at 10.30 o'clock.

Thereupon, at 1.40 o'clock p. m., the committee adjourned until Monday, February 12, 1912, at 10.30 o'clock a. m.

ADVERTISEMENTS PUBLISHED IN THE PITTSBURGH GAZETTE-TIMES, UNDER DATE THURSDAY, JULY 15, 1909.

Wanted—Male help; 40 more hot-mill men for tin mills; rollers, doublers, heaters, roughers, catchers, screw boys, and helpers to work in open mills; good wages and steady employment to men capable of doing the work; fare paid and no fees charged for this work. Central Employment Bureau, 628 Penn Avenue.

Tinners, catchers, and helpers—To work in open shops; Syrians, Poles, and Roumanians preferred; steady employment and good wages to men willing to work; fare paid and ——. 628 Penn Avenue.

STATEMENT.

PITTSBURGH, PA., *November 20, 1909.*

American Sheet & Tin Plate Co., Frick Building, city, to Central Employment Bureau, 628 Penn Avenue, city, Dr.

Cash paid for advertisements during the months of September, October, and November	$242.87
(Inclosed find itemized receipts for above amount.)	
216 men furnished during September, October, and November, at $1 per capita	216.00
Total	458.87

Please remit at your earliest convenience and oblige,
Respectfully, yours,

CENTRAL EMPLOYMENT BUREAU.
A. C. GIBSON, *Proprietor.*

STATEMENT.

PITTSBURGH, PA., *September 2, 1909.*

American Sheet & Tin Plate Co., Frick Building, city, to Central Employment Bureau, 628 Penn Avenue, city, Dr.

Cash paid for advertisements during months of July and August	$299
(We will mail you under separate cover itemized receipts for above amount.)	
504 men furnished during July and August, at $1 per capita	504
Wages and car fare for Jos. Schmidt, July 24 and 26	3
Total	806

Please remit at your earliest convenience and oblige,
Yours, respectfully,

CENTRAL EMPLOYMENT BUREAU.
A. C. GIBSON, *Proprietor.*

Personally appeared before me, a notary public, George H. Seldes, who, being duly sworn according to law, deposes and says that the following statements are true and correct as he verily believes:

"On Wednesday afternoon, November 2, 1910, I visited S. Hollander, who says he is a member of the firm known as the Central Employment Bureau, at the office of the concern, No. 628 Penn Avenue, Pittsburgh, Pa., and in reply to my question Mr. Hollander said:

"'The advertisements appearing in the Gazette Times during July and August, 1909, which carried the name of the Central Employment Bureau, were for the American Sheet & Tin Plate Co., and we inserted them at the direction of that corporation. There was a strike on at the time and the company was greatly in need of men. I do not care to divulge the name of the man who actually paid for the advertisement, but he represented the American Sheet & Tin Plate Co.'

"GEO. H. SELDES."

Subscribed and sworn to before me this 2d day of November, 1910.

[SEAL.] ELMER F. BILLETER,
Notary Public.

My appointment dated January 18, 1910. My commission expires end next session of senate.

Personally appeared before me, a notary public, George H. Seldes, who, being duly sworn according to law, deposes and says that the following statements are true and correct as he verily believes:

"On Friday afternoon, November 4, 1910, I visited the Central Employment Bureau, at 628 Penn Avenue, Pittsburgh, Pa., and saw there Mr. C. E. Gibson. Mr. Gibson declared that he is a member of the firm, and I personally saw the license authorizing him to conduct the bureau, which was made out in his name.

"I showed Mr. Gibson a copy of the following advertisement, which I personally copied from the Pittsburg Gazette Times of July 14, 1909:

"'Wanted—60 tin-house men, tinners, catchers, and helpers, to work in open shops; Syrians, Poles, and Roumanians preferred; steady employment and good wages to men willing to work; fare paid and no fees charged for this work. Central Employment Bureau, 628 Penn Avenue.'

"Mr. Gibson freely admitted that this ad was inserted in the Gazette Times by the Central Employment Bureau at the direction of the American Sheet & Tin Plate Co. He declared that he did not wish to make affidavit to this for fear of offending the American Sheet & Tin Plate Co., but said he would make a sworn statement provided an official of the company would authorize him to do so.

"GEORGE H. SELDES."

Sworn to and subscribed before me this 4th day of November, 1910.

[SEAL.] ELMER F. BILLETER,
Notary Public.

My appointment dated January 18, 1910. My commission expires end next session of senate.

UNION SUPPLY CO. BOARD OF DIRECTORS' MINUTES AND STOCKHOLDERS' MINUTES AS EXTRACTED.

Articles of incorporation filed March 24, 1902. Paragraph 2 thereof provides that—

"Said corporation is formed for the purpose of dealing in all kinds of merchandise at retail."

The capital stock was originally $1,000 and was later increased to $500,000.

Meeting of directors March 22, 1902.

PROPOSITION TO UNION SUPPLY CO. (LTD.)

The president submitted a proposition, dated this day, to be made to the Union Supply Co. (Ltd.), whereby this company offers to purchase all the assets of the Union Supply Co. (Ltd.), as they are on March 31, 1902, for the sum of $913,066.66, payable as follows: $499,000 in the fully paid-up capital stock of this company at par, and the balance of $414,066.66, by this company assuming and agreeing to pay that amount of the indebtedness of the Union Supply Co. (Ltd.), this company to take over all assets, real and personal, including real estate, buildings, merchandise, fixtures, supplies, accounts and bills receivable, and cash on hand of the said Union Supply Co. (Ltd.), as they are on March 31, 1902, and take over all the contracts of said company, including contracts of the employees.

Upon motion of W. W. Blackburn, seconded by S. H. Woddell, the president was authorized and directed to submit said offer to the Union Supply Co. (Ltd.), and, in case of its acceptance, the officers of this company are authorized and directed to take all steps necessary to carry out said proposal.

Meeting of directors, April 1, 1902.

Proposal to Union Supply Co. (Ltd.) accepted by said company.

Increase of capital stock to $500,000 approved.

Dividends declared by Union Supply Co.

Date of meeting when declared.	Per cent.	Amount for dividends.
1. May 27, 1903	10	$50,000
2. Sept. 23, 1903	20	100,000
3. Dec. 28, 1903	20	100,000
		250,000
4. Mar. 23, 1904	10	50,000
5. June 22, 1904	10	50,000
6. Aug. 24, 1904	10	50,000
7. Oct. 26, 1904	10	50,000
8. Dec. 28, 1904	10	50,000
		250,000
9. Feb. 22, 1905	10	50,000
10. May 24, 1905	15	75,000
11. July 26, 1905	15	75,000
12. Aug. 23, 1905	20	100,000
13. Sept. 27, 1905	7	35,000
14. Oct. 28, 1905	7	35,000
15. Nov. 18, 1905	7	35,000
		405,000
16. Jan. 22, 1906	7	35,000
17. Feb. 21, 1906	7	35,000
18. Mar. 21, 1906	7	35,000
19. Apr. 18, 1906	7	35,000
20. May 16, 1906	15	75,000
21. June 20, 1906	8	40,000
		255,000
22. July 18, 1906	16	$80,000
23. Aug. 15, 1906	.....	40,000
24. Sept. 19, 1906	.....	40,000
25. Sept. 27, 1906	10	50,000
26. Nov. 21, 1906	8	40,000
27. Dec. 20, 1906	9	45,000
		550,000
28. Jan. 9, 1907	8	40,000
29. Feb. 20, 1907	8	40,000
30. Mar. 20, 1907	8	40,000
31. May 15, 1907	16	80,000
32. June 19, 1907	8	40,000
33. July 17, 1907	16	80,000
34. Aug. 21, 1907	8	40,000
35. Sept. 18, 1907	8	40,000
36. Nov. 20, 1907	8	40,000
37. Dec. 18, 1907	12	60,000
		500,000
38. Jan. 15, 1908	8	$40,000
39. Feb. 19, 1908	8	40,000
40. Apr. 15, 1908	8	40,000
41. May 20, 1908	8	40,000
42. July 15, 1908	8	40,000
43. Sept. 16, 1908	16	80,000
44. Nov. 18, 1908	8	40,000
		320,000
45. Jan. 13, 1909	8	40,000
46. Feb. 17, 1909	.....	40,000
47. Apr. 21, 1909	.....	40,000
48. May 19, 1909	.....	40,000
49. June 16, 1909	.....	40,000
50. July 21, 1909	8	40,000
51. Aug. 18, 1909	8	40,000
52. Sept. 15, 1909	8	40,000
53. Oct. 20, 1909	8	40,000
54. Nov. 17, 1909	8	40,000
55. Dec. 15, 1909	8	40,000
		440,000
56. Jan. 12, 1910	8	40,000
57. Feb. 16, 1910	8	40,000
58. Mar. 16, 1910	8	40,000
59. Apr. 20, 1910	18	80,000
60. May 18, 1910	8	40,000
61. June 15, 1910	8	40,000
62. July 19, 1910	8	40,000
63. Aug. 17, 1910	8	40,000
64. Sept. 21, 1910	8	40,000
65. Oct. 19, 1910	8	40,000
66. Nov. 16, 1910	8	40,000
67. Dec. 21, 1910	8	40,000
		520,000
68. Jan. 24, 1911	8	40,000
69. Mar. 15, 1911	8	40,000
70. Apr. 19, 1911	8	40,000
71. May 17, 1911	8	40,000
72. June 21, 1911	8	40,000
73. July 18, 1911	8	40,000
74. Aug. 16, 1911	8	40,000
75. Sept. 20, 1911	8	40,000
		320,000

Meeting of directors June 28, 1905.
Purchased store of Hecla Supply Co. (Ltd.) as follows:

No. 1. Store, Hecla, merchandise, fixtures, etc	$10,281.05
No. 2. Store, Trauger, merchandise, fixtures, etc	11,799.62
No. 1. Store, building, Hecla, Pa	3,000.00
No. 2. Store, building, Trauger, Pa	3,500.00
Total	28,517.67

No. 48

UNITED STATES STEEL CORPORATION

HEARINGS

BEFORE THE

COMMITTEE ON INVESTIGATION OF UNITED STATES STEEL CORPORATION

HOUSE OF REPRESENTATIVES

MONDAY, FEBRUARY 12, 1912

WASHINGTON
GOVERNMENT PRINTING OFFICE
1912

UNITED STATES STEEL CORPORATION.

COMMITTEE ON INVESTIGATION OF THE
UNITED STATES STEEL CORPORATION,
HOUSE OF REPRESENTATIVES,
Washington, D. C., Monday, February 12, 1912.

The committee this day met, Hon. Augustus O. Stanley (chairman) presiding.

The CHAIRMAN. The committee will come to order. We will first hear Mr. Oakley.

STATEMENT OF J. G. OAKLEY.

The witness was duly sworn by the chairman.

The CHAIRMAN. Mr. Oakley, state your residence and your occupation.

Mr. OAKLEY. My residence is Montgomery, Ala. My occupation at the present time is president of the Alabama State Board of Convicts.

The CHAIRMAN. How long have you occupied that position?

Mr. OAKLEY. About a year, now.

The CHAIRMAN. Do you know how many State convicts, during your incumbency in office, have been utilized by the Tennessee Coal & Iron Co., or any other subsidiary of the United States Steel Corporation?

Mr. OAKLEY. The numbers are not always the same. There is some variation. They have had in their employment an average number of about 350—that is, of State men.

The CHAIRMAN. For this year were there any State convicts let out to the Tennessee Coal & Iron Co.?

Mr. OAKLEY. No, sir. Their contract expired on the 31st of December.

Mr. BARTLETT. You do not mean they have not had any at all?

Mr. OAKLEY. Not any State men. They still have some county convicts.

The CHAIRMAN. Will you please explain how it occurred that the Steel Corporation failed to secure these convicts this last time? You had the letting of the contract, did you not?

Mr. OAKLEY. Yes, sir.

The CHAIRMAN. Explain that to the committee.

Mr. OAKLEY. They did not take this matter up until late in November, and gave no indication of renewing at all.

The CHAIRMAN. November of what year?

Mr. OAKLEY. Of last year. Prior to their doing that we had made a contract with the Pratt Consolidated Co. that took the men that were at their No. 12 mine.

The CHAIRMAN. And the State convicts that the Tennessee Coal & Iron Co. previously had were turned over by you to the Pratt Consolidated Co.?

Mr. OAKLEY. Transferred from the No. 12 mine of the Tennessee Coal & Iron Co. to the Banner mine of the Pratt Consolidated Co.

The CHAIRMAN. Did the Tennessee Coal & Iron Co., or any subsidiary of the Steel Corporation, make any protest to you on account of your doing that?

Mr. OAKLEY. Yes.

The CHAIRMAN. Was that in a conversation or was it in the shape of correspondence?

Mr. OAKLEY. It was by letter from Mr. George Gordon Crawford, the president of the company.

Mr. STERLING. I understood from a witness the other day that the Alabama law had been changed, so that these convicts were not let out on contracts.

Mr. OAKLEY. There are no State convicts that are worked except under absolute State supervision, and maintained by the State, clothed and fed and doctored, and everything else.

Mr. STERLING. Is that a new provision of the law?

Mr. OAKLEY. No, sir. There is absolutely not any specific statute covering it. It is optional largely with the board of convict inspectors as to the manner of making their leases, and as to who and how——

Mr. STERLING (interposing). I understood this gentleman to say, further, that when the present contracts expired, after that none of the State convicts would be permitted to work out under contract.

Mr. OAKLEY. There has been no such policy as that indicated to us there.

The CHAIRMAN. You say this protest against your taking these convicts from the control and custody, or at least from the premises under the control and custody of the Tennessee Coal & Iron Co., and transferring them to the premises of the Pratt Consolidated Co., to be used by the Pratt Co. instead of the Tennessee Coal & Iron Co., was made by the president of the Tennessee Coal & Iron Co.?

Mr. OAKLEY. Yes, sir; and a very vigorous one on the part of Mr. Crawford.

The CHAIRMAN. Was that in the form of a letter?

Mr. OAKLEY. Yes, sir.

The CHAIRMAN. Have you that letter?

Mr. OAKLEY. I have.

The CHAIRMAN. Together with your reply thereto?

Mr. OAKLEY. Yes, sir.

The CHAIRMAN. I will ask you to file them with the committee.

Mr. YOUNG. Had we not better have them read now?

The CHAIRMAN. You may read the correspondence now, then. Read Mr. Crawford's letter first, and then if the committee desires you can read your reply. I think his letter is the material part.

Mr. OAKLEY (reading):

BIRMINGHAM, ALA., *November 24, 1911.*

DEAR SIR: As our contract for the hire of State convicts expires on January 1, 1912, I recently instructed our general superintendent of coal mines, Mr. Coxe, to take up with you the matter of a renewal of this contract, this being about the time of year when renewals have been taken up with previous administrations. On yesterday Mr. Coxe advised me that he had expressed to you his desire to enter negotiations for renewal of the contract, and that in reply you had informed him that the State convicts which we now had under our contract, expiring January 1, would be turned over to the Pratt Consolidated Co. on January 1, and that the State had no other convicts who could be hired to this company. Mr. Coxe tells me that you informed him that when you made the contract with the Pratt Consolidated you had intended turning over to that company the convicts then being hired at a less price to turpentine and lumber concerns in south Alabama, but that pressure had been brought to bear upon you to let the convicts who had been hired in south Alabama remain with the lumber and turpentine concerns, and that therefore the Tennessee Co.'s convicts would be turned over to the Pratt Consolidated, being the only convicts available to fill the contract which you had made with that company.

As chairman of the State board of convict inspectors, I take it to be your duty to place the State convicts where they will bring the State in the largest revenue, assuming hygienic, sanitary, and working conditions to be satisfactory. I am not at this time in position to compare the revenue which the State will derive per convict for the convicts hired to the Pratt Co. with the revenue which it has derived under its contract with the Tennessee Coal, Iron & Railroad Co. Of course, the welfare of the convicts and the revenues to the State should determine to whom the convicts should be let, without any consideration of the interests of the coal companies affected.

When I became president of the Tennessee Coal, Iron & Railroad Co. I found that the company was operating certain of its mines with convict labor. I don't know if the company had not already been committed to this policy, and if I had not found the convicts at work in our mines and our mining operations to quite an extent dependent upon them, that I would have been willing to have been in any way connected with the working of convicts, and I am quite frank to say that, in compliance with the wishes of the owners of the Tennessee Co., I had intended to cease working convicts at such time as free labor could be installed in their place without detriment to our operations. You will readily understand that it takes many months to arrange without serious loss to supplant convict labor with free labor. Many houses must be built, a permanent mining town provided, and arrangements made to secure the labor, and I had expected to renew on fair terms the contract with the State for the year 1912. The information that the convicts will be taken away from us in about 30 days, without any opportunity on our part to bid for them, will necessarily entail serious loss upon this company, because in that time no adequate force of free labor can be gotten together to work the mines, nor can the houses be built to take care of them. I want to say to you frankly that I feel, both in the interests of the State of Alabama and as a matter of fairness to us, that we should have had an opportunity to have bid on these convicts, and that as a matter of fairness we should have had longer notice that they were going to be turned over to a competitor without any opportunity to us to bid. The fact that we obtained any information that our convicts were going to be turned over to the Pratt Consolidated was apparently only due to Mr. Coxe's suggestion to you that he would like to take up the matter of a contract for another year.

I will arrange as speedily as I can to prepare to work our mines with free labor, and it is my idea that they shall be worked entirely with such labor in the future. Our company has made every effort in its hiring of State convicts to be fair and honorable in its dealings with the State, humane and considerate in its treatment of the convicts. We had built at our No. 12 mine a thoroughly modern, up-to-date prison, fully equal, if not superior, in hygienic and sanitary arrangements, to any place in which the State convicts have been kept anywhere in the State. The treatment of convicts by the Tennessee Coal, Iron, & Railroad Co., during the many years through which it has hired them, reflects credit upon the humanity and intelligence of those employees of the company having this matter immediately in charge. In the first conference I had with Gov. Comer on the subject of hiring convicts, I told him that I had no desire

to make money out of the convict labor as against free labor; that the chief inducement for the hiring of convicts was the certainty of a supply of coal for our manufacturing operations in the contingency of labor troubles, and that I was willing to pay for the convict labor, as nearly as it could be approximated, what our free labor cost per ton of coal. Our existing contract was framed with this idea in mind, and I doubt whether the State has ever made a more advantageous contract.

I must say, in all candor, that considering alone the interests of the State, it would appear to me you should have given us an opportunity to bid for these convicts before turning them over to another hirer. The fact that the State's long business relationship with this company has been satisfactory to the State officials would seem to have warranted this consideration as mere business courtesy, but beyond this, it would have appeared that the best way in which the State could have secured the highest price for these convicts would have been to have given this company, as well as other hirers, an opportunity to have bid. We had expected to have offered as much as we are now paying, and I am frank to say that we would have paid even more for the convicts for another year rather than to have sustained the loss which we must now face because of the lack of opportunity to arrange to work these mines with free labor.

I hope the action which you have taken will prove to have been for the best interests of the State, and that the returns from your contract with the Pratt Consolidated will be at least as satisfactory as the the results would have been under a contract with this company. I am sending a copy of this letter to his excellency, the governor.

Very truly, yours, GEO. G. CRAWFORD, *President.*

Mr. J. G. OAKLEY,
Chairman of the Board of Convict Inspectors,
Montgomery, Ala.

The CHAIRMAN. Now, you may just state the purport of your reply, or does the committee want his reply read in full?

Mr. YOUNG. The reply is short, I understand.

The CHAIRMAN. Read your reply, then.

Mr. OAKLEY (reading):

NOVEMBER 27, 1911.

Mr. GEO. W. CRAWFORD,
President Tennessee Coal, Iron & Railroad Co.,
Birmingham, Ala.

DEAR SIR: When in Birmingham last Thursday, I explained fully to Mr. Coxe why we could not consider a renewal of your contract for convicts at No. 12 mines, and went thoroughly over the details with him.

When the contract was made to take over the operations at Banner mines, on August 8, 1911, it was not intended to any way interfere with the organization at your place, as the men to fill it were expected to be taken from several south Alabama camps, whose time has since been extended. This extension, however, was not agreed on till October 24. On September 12 I wrote Mr. Coxe asking him to kindly inform me when it would be convenient to your company to take up the matter of renewal of your lease, and he informed me that the same could not be done until the return of some of your officials who were then in the East. Nothing more was heard from you until November 17, at which time I gave Mr. Coxe the information of which you now complain.

Am inclosing some correspondence along the lines indicated above, which is self-explanatory.

Very truly, yours, J. G. OAKLEY, *President.*

The CHAIRMAN. Has the governor the right in any way to annul or set aside the contracts you make?

Mr. OAKLEY. Yes, sir; the governor has, under the Alabama statutes, the right to cancel any contract at any time, without assigning any reason therefor.

The CHAIRMAN. Do you know whether any effort was made to induce the governor to cancel the contract you made with the Pratt

Consolidated Co., to return these convicts back to the Tennessee Coal & Iron Co.?

Mr. OAKLEY. I understand there was a very strenuous effort made to have him believe that the contract we made with the Pratt Consolidated Co. was not as good a contract as the existing contract with that company. The governor at one time seriously considered canceling the contract we had made with the Pratt Consolidated Co.

The CHAIRMAN. Why was the contract not canceled, and the convicts turned back to the Tennessee Coal & Iron Co., as they wanted?

Mr. OAKLEY. He finally decided not to cancel it.

Mr. REED. He took a bond, did he not?

Mr. OAKLEY. Yes; took a bond from the Pratt Consolidated Coal Co., guaranteeing the earnings under their contract would be as great as the earnings had been for the previous year under the contract with the Tennessee Coal & Iron Co.

The CHAIRMAN. Were there any other convicts available, after this Pratt contract was made, for the Tennessee Coal & Iron Co., in Alabama—any State convicts?

Mr. OAKLEY. Not State men; no, sir.

The CHAIRMAN. So that they got no State convicts because there were no State convicts to get that year?

Mr. OAKLEY. None, in view of the fact that they had all been contracted for.

The CHAIRMAN. You still have county convicts available?

Mr. OAKLEY. We do not have the hiring of county convicts.

The CHAIRMAN. But they were available in the State?

Mr. OAKLEY. Yes, sir; throughout the State.

The CHAIRMAN. Did they get any number of them?

Mr. OAKLEY. I don't know whether they have made any new leases this year or not. They have leases with several different counties for their convicts.

The CHAIRMAN. You have given this matter your personal attention. I will ask you to explain to the committee the difference in the conditions, treatment, and control exercised over the State convicts and the county convicts.

Mr. OAKLEY. Well, the State board of inspectors, to start with, have nothing but general supervision over county convicts. They are leased by hired labor agents, probate judges, county commissioners, and boards of revenue. There is a difference in different counties. They lease them out to different hirers for so much a month or so much a day. Some counties work them on roads. We have nothing to do yith leasing them; we have nothing to do with the revenue that is derived from them; nothing except a general supervision over them. They are worked largely on roads, at turpentine camps, sawmills, and coal mines.

Mr. BARTLETT. May I here interject to refer to the act under which this is done. I seem to have the act of 1907. Is that the act under which the county convicts are hired?

Mr. OAKLEY. I am not prepared to say.

Mr. BARTLETT. I will read section 2 of that act, under the heading of "Control of county commissioners":

Hard labor for the county shall be under the superintendence and control of the court of county commissioners or board of revenue, who shall determine in what manner and on what particular works the labor shall be performed,

and all convicts sentenced to hard labor for the county shall be under the direction and control of the court of county commissioners or board of revenue when worked or hired in the county where convicted, but therwise they are to be under the superintendence and control of the board of inspectors of convicts.

Mr. OAKLEY. Yes, sir; that is just what I have stated. We have supervision over them, but not the hiring of them.

Mr. BARTLETT. You have nothing to do with the hiring of them out?

Mr. OAKLEY. No, sir.

Mr. BARTLETT. And nothing to do with the revenue derived from them?

Mr. OAKLEY. No, sir.

Mr. BARTLETT. Except to see they are cared for in accordance with the requirements of the law and property treated?

Mr. OAKLEY. They are under our supervision.

The CHAIRMAN. Have you anything to do with the transportation of them?

Mr. OAKLEY. Not county men.

The CHAIRMAN. Have you anything to do with the feeding of them?

Mr. OAKLEY. No, sir.

The CHAIRMAN. If they are disciplined, are they disciplined by persons in the pay of the State or in the pay of the persons for whom they are working?

Mr. OAKLEY. That depends as to the manner in which they are hired. When they are leased out to private hirers they frequently hire their own wardens and own guards.

The CHAIRMAN. They are subject to the State and paid by the company securing them?

Mr. OAKLEY. Yes, sir. They are subject at all times, however, to the supervision of the State board of convicts.

Mr. BARTLETT. That is made so by statute—by your State law?

Mr. OAKLEY. Yes, sir.

The CHAIRMAN. For what offenses are these county convicts incarcerated? What is the difference between the offenses that makes a man a State convict or a county convict?

Mr. OAKLEY. If a man is convicted for a misdemeanor, he is sentenced to hard labor in the county. If it is a felony, he goes to the State.

Mr. BARTLETT. You do not mean he is sentenced, but that he may be sentenced?

Mr. OAKLEY. All misdemeanors are.

Mr. BARTLETT. They may be sentenced to hard labor.

Mr. OAKLEY. Yes, sir. I say those who become hard-labor convicts are for misdemeanors.

The CHAIRMAN. You mean those who have been sentenced for misdemeanors go to the mines?

Mr. OAKLEY. Yes, sir.

Mr. BARTLETT. I do not think that is accurate. They are sentenced to pay a fine or to hard labor, or, on failure to pay a fine, they then become subject to punishment by imprisonment. That is right?

Mr. OAKLEY. But they are prisoners who have been convicted of misdemeanors.

The CHAIRMAN. The only thing I was trying to get at was that upon conviction for a misdemeanor a man is sentenced either to imprisonment or fine, and in the event he can not pay——

Mr. BARTLETT. Or does not pay.

The CHAIRMAN. In the event he can not pay or he does not pay—I dont' care whether he can and does not or whether he can not—upon the failure to pay the fine and his having been sentenced he works out the fine and costs, or he works out the sentence and accrued costs in the mine; is that correct?

Mr. OAKLEY. Yes, sir; that is true.

Mr. BARTLETT. You do not mean that exactly. You mean that when he is sentenced to pay a fine or be imprisoned or to pay a fine and be imprisoned, for whatever the imprisonment is they are hired out for that term—those to whom they are hired paying to the county authorities the amounts they agree on, and that sum goes, under your law, to pay the fine; is that right?

Mr. OAKLEY. That is exactly what I understood the chairman to say. It is optional with him. He can pay his fine, or some one can confess judgment with him, and have six months within which to do it. But if he does not pay his fine and no one confesses judgment with him, then he works it. He then becomes a county convict, subject to hard labor, and will go on whatever contract the county has, be it to a mine, a sawmill, or a farm, whatever it might be. In some instances they go on county roads.

The CHAIRMAN. I believe you have various statutes against baseball, golf, playing dominoes, racing horses, and playing cards on Sunday, and things of that sort?

Mr. OAKLEY. There are such statutes in Alabama.

The CHAIRMAN. Punishable by fine or imprisonment?

Mr. BARTLETT. That is not peculiar to Alabama.

The CHAIRMAN. I understand. You have various liquor laws in Alabama, like we have in most States. I am not reflecting on Alabama.

Mr. OAKLEY. I don't remember of any fines for anything of that sort—for playing golf on Sunday, etc.

The CHAIRMAN. Do you know what these people were convicted for? Did you ever investigate that?

Mr. OAKLEY. Oh, yes; I can give you the absolute statistics.

The CHAIRMAN. About the misdemeanor fellows?

Mr. OAKLEY. Yes, sir.

Mr. BARTLETT. Are you referring to those employed by the Steel Corporation now, Mr. Chairman?

The CHAIRMAN. Yes.

Mr. OAKLEY. I can give you here, by counties, the number of both county prisoners and State convicts and the offenses for which they were convicted.

Mr. BARTLETT. Employed by the steel company?

Mr. OAKLEY. Not all of them.

The CHAIRMAN. State generally what the offenses are. I do not care about going into all the details.

Mr. YOUNG. Is there not a recapitulation for the whole State there somewhere?

Mr. OAKLEY. Yes, sir.

The CHAIRMAN. I just wanted to get a general idea.

Mr. OAKLEY. Assault to murder, 33. This is a copy of the quadrennial report of the board of inspectors of convicts to the governor for the four years from September 1, 1906, to August 31, 1910.

Mr. YOUNG. That is a felony in that State, is it not?

Mr. OAKLEY. County convicts on hand by crimes, assault to murder, 33. They had less than two years' sentence, and they all go as county convicts, therefore.

Mr. BARTLETT. Assault to murder is punishable by from one to so many years, and it happened to be two years in these cases, and they were, therefore, sent to the county. The county probably gets them where the sentence does not exceed two years. I don't know.

Mr. YOUNG. Can you tell briefly, Mr. Oakley, what the distinction in Alabama is between a misdemeanor and a felony; what the line of demarcation is?

Mr. OAKLEY. No, sir; I am not lawyer enough to do that.

The CHAIRMAN. Go ahead with your list.

Mr. OAKLEY. Assault with weapon, 36; adultery, 6; abusive language, 17; assault and battery, 28; assault, 9; burglary, 72; burglary and grand larceny, 33.

The CHAIRMAN. These are county convicts?

Mr. OAKLEY. Yes, sir. Bigamy, 5; carrying concealed weapons, 48; false pretenses, 6; forgery, second degree, 8; grand larceny, 154; gaming, 13; larceny, 19; manslaughter, second degree, 12; petit larceny, 79; public drunkenness, 3; riding trains, 33.

The CHAIRMAN. Riding trains?

Mr. OAKLEY. Yes, sir; unlawful riding.

The CHAIRMAN. Stealing a ride on a train?

Mr. OAKLEY. Yes, sir; that is an offense in Alabama.

Robbery, 1; selling mortgaged property, 9; violating prohibition law, 56.

The CHAIRMAN. What is violating the prohibition law?

Mr. OAKLEY. Selling whisky contrary to law.

The CHAIRMAN. Does that include taking a drink on a moving train?

Mr. OAKLEY. They are charged with selling whisky there; unlawful selling.

Violating contract, 31; violating Sunday law, 3; vagrancy, 10.

The CHAIRMAN. What is violation of the Sunday law?

Mr. OAKLEY. I would have to get you the State laws of Alabama.

The CHAIRMAN. Is not that the law I am talking about? Do you know whether those were men sent up for playing games on Sunday?

Mr. OAKLEY. That is possible; playing cards on Sunday is a violation of law.

The CHAIRMAN. They might have been playing cards—playing golf, for all you know?

Mr. OAKLEY. Certainly.

The CHAIRMAN. Go ahead.

Mr. OAKLEY. That is a total of 724. But I said I had never heard of it.

The CHAIRMAN. I know. I do not mean to say they were. I was just speaking of misdemeanors generally.

Mr. YOUNG. The bulk of these men seem to be up for sufficiently serious offenses, such as manslaughter, assault to commit murder, and burglary. In most States they would be regarded as felonies, I take it.

Mr. OAKLEY. And such used to be the case in Alabama.

The CHAIRMAN. As has been said, "Grievously have they sinned, and grievously have they answered."

Mr. STERLING. Is burglary a misdemeanor in Alabama?

Mr. OAKLEY. As I stated before, it matters not what a man is charged with in Alabama, if he is given less than two years' sentence he becomes a county convict.

Mr. STERLING. It depends upon the punishment entirely?

Mr. OAKLEY. Yes, sir.

Mr. YOUNG. That was the question I was asking you before.

Mr. STERLING. As I understand it, the Tennessee Coal & Iron Co. have no State convicts now?

Mr. OAKLEY. No, sir; they have not had since the 1st day of January.

Mr. REED. I have a telegram here from the president of the Tennessee Coal & Iron Co. It is not very long, and it gives a few facts from his standpoint. Perhaps you would like to have me read it, and then have Mr. Oakley explain it, if you want to get the complete history of this thing.

The CHAIRMAN. I have no objection. I would not make a precedent of this for reading telegrams, but in this case it might be all right.

Mr. REED. Mr. Crawford telegraphs:

We originally intended bidding for State convicts for another year, during which we would prepare for free labor. Upon advice that Mr. Oakley was to turn our convicts over to Pratt Co., I said we would retire from convict business and would work no more convicts except county convicts already hired. We therefore made no efforts to obtain State convicts, and clearly informed governor that we would only take them temporarily in event he desired to cancel Pratt contract and desired us to assist him while he was making another arrangement. If we desired to remain in convict business we could procure sufficient county convicts. The last bid which we made for county convicts was in February, 1911, about a year ago. Since that time we have been requested to bid on county convicts by nine counties, and we have uniformly replied to these requests that we did not care to bid. All county contracts with us expire at the end of 1912. There will be working for us at that time some county convicts whose sentences have not expired and some county convicts who may be sentenced during the remainder of this year and which we are under legal obligation to take. It is our intention to make every effort with the counties to place elsewhere any convicts which we may be under obligation to keep at the expiration of the year 1912. The Tennessee Co. operates 21 coal mines in Alabama. Convicts worked in only two of these in 1911 and in only one in 1912.

And he writes to me in another letter that on February 1 of this year there were exactly 180 county convicts and no State convicts in their employ.

I thought perhaps Mr. Oakley could correct any of those statements if they were wrong.

Mr. OAKLEY. That is about right as to numbers. They had about 200 the last information I had, and they are not taking any new leases. They are gradually going out, and the number is decreasing regularly.

The CHAIRMAN. If none of the committee care to ask you anything further, you are excused.

Mr. BARTLETT. I just want to ask this question: This part of the law requires a separation of felony and misdemeanor convicts. Is it carried out?

Mr. OAKLEY. How was that?

Mr. BARTLETT. The law that requires convicts convicted for misdemeanors not involving moral turpitude shall not be worked with felony convicts is carried out, is it not? You do not work them together?

Mr. OAKLEY. No, sir; that law requires that they shall not be worked together.

Mr. BARTLETT. I say, you comply with the law?

Mr. OAKLEY. Yes, sir.

STATEMENT OF P. J. M'ARDLE.

The witness was duly sworn by the chairman.

The CHAIRMAN. Where do you live, Mr. McArdle?

Mr. MCARDLE. Pittsburgh.

The CHAIRMAN. Are you connected in any way with steel workers in Pennsylvania?

Mr. MCARDLE. I was national president of the American Association of Iron, Steel, and Tin Workers of North America for five years, up until the first of September, 1911.

The CHAIRMAN. I believe you had a statement that you prepared on one occasion covering conditions in the iron and steel business that you showed me. I will ask you to read that to the committee. It will save the trouble of a long examination. Have you that statement with you?

Mr. MCARDLE. The statement I read to you was a statement I prepared at the request of representatives of the Government, the Department of Commerce and Labor.

Mr. BARTLETT. The Bureau of Labor?

Mr. MCARDLE. The Bureau of Labor of the Department of Commerce and Labor.

The CHAIRMAN. That statement covers the matter we are interested in and I will ask you to read it.

Mr. MCARDLE. I will say that deals with facts relating to a strike in the sheet and tin industry of the plant of the American Sheet & Tin Plate Co.

The CHAIRMAN. That is about the time of this advertisement we were talking about on Saturday?

Mr. MCARDLE. Yes, sir.

Mr. YOUNG. Is this statement based on your personal knowledge, or a general statement gathered from investigations and statements of others?

Mr. MCARDLE. This statement is based chiefly upon my personal knowledge.

Mr. GARDNER. Is that the advance sheets of the report of Commissioner Neill that you have there?

Mr. MCARDLE. No, sir; this is a copy taken from reports submitted by me to the organization.

Mr. GARDNER. Is that in the advance sheets of Mr. Neill's report?

Mr. MCARDLE. I can not say. I have never seen any copy of the report that they made on the subject.

Mr. GARDNER. It has not been printed, but the advance sheets are out. Have you got that, Mr. Chairman?

The CHAIRMAN. I have those advance sheets.

Mr. REED. I have a copy here.

The CHAIRMAN. I have not had an opportunity to read them carefully. I want to put such of it as is relevant in this hearing, but I have not had the opportunity yet to examine it.

Mr. MCARDLE. Do you want me to proceed?

The CHAIRMAN. Yes. I think it will save time to have you read that statement.

Mr. BEALL. You are willing to adopt that now as your statement before the committee, under oath?

Mr. MCARDLE. Yes, sir [reading]:

Every year prior to July 1, 1909, since the formation of the American Sheet & Tin Plate Co., the Amalgamated Association of Iron, Steel, and Tin Workers has entered into a yearly wage scale agreement with that company for the men employed in the "hot mill department" of a number of their plants. This wage-scale agreement applied to the following positions in sheet and tin mills:

Sheet mills: Roller, heater, rougher, catcher, doubler, matcher, pair heater, shearman.

Tin mills: Roller, doubler, heater, catcher, screw boy, shearman.

Certain of the men employed at the positions enumerated hired "helpers" and paid them out of the rate provided for their own positions in the wage scale.

In June, 1908, such a wage-scale agreement was entered into between the A. A. of I. S. & T. W. and the American Sheet & Tin Plate Co. for the following works of that company:

Tin mills: American Works, Elwood, Ind.; Morewood Works, Gas City, Ind.; Anderson Works, Anderson, Ind.; Laughlin Works, Martins Ferry, Ohio; La Belle Works, Wheeling, W. Va.; Falcon Works, Niles, Ohio; New Castle Works, New Castle, Pa.; Shenango Works, New Castle, Pa.; Sharon Works, South Sharon, Pa.; and Humbert Works, Connellsville, Pa.

Sheet mills: Aetna-Standard Works, Bridgeport, Ohio; Piqua Works, Piqua, Ohio; Guernsey Works, Cambridge, Ohio; Midland Works, Muncie, Ind.; and Struthers Works, Struthers, Ohio.

This wage scale expired with June 30, 1909, being for a period of one year. On June 1, 1909, the American Sheet & Tin Plate Co. posted notices in the hot-mill departments of all the above-mentioned mills that were then in operation, stating in effect that after the expiration of the wage-scale agreement the mills would be run as "open" mills; as a part of this notice a schedule of tonnage rates was also posted as the wage scale that would be effective after July 1 until further notice. In the tin mills these new rates were substantially 3½ per cent less than rates then in effect.

On the sheet mills the rates of the roller, heater, and shear men were reduced about 2.45 per cent, the others remaining as before. In addition to this reduction from the minimum tonnage rates of the then existing wage scale, the "sliding-scale" feature of the agreement was left out. This feature provided for advances above the minimum wage rate when the material made sold at certain prices for a given period.

In the agreement between the A. A. of I. S. & T. W. and the A. S. & T. P. Co. both the wage scale for the sheet mills and that for the tin mills contained what was known as "footnotes" to the number of 25 or thereabout, each dealing either directly or indirectly with the wage scale or the conditions of employment. In the notice dealing with the wage rate none of these appeared except one, and that in a modified form.

On June 1, I, as president of the Amalgamated Association of Iron, Steel, and Tin Workers, addressed a letter to Mr. S. A. Davis, vice president of the American Sheet & Tin Plate Co., asking that a date be set for the usual annual wage conference. To this letter I received no reply.

About June 17, 1909, I addressed a letter to Mr. E. W. Pargny, president of the American Sheet & Tin Plate Co., calling his attention to the subject matter of my letter to Mr. Davis, and to the fact that I had received no answer, asking him at the same time if it would be possible to arrange for such conference. A few days later I received a reply from Mr. Pargny to the effect that as the notices posted in their plants indicated the intentions of the company after July 1, they did not care to arrange for a conference.

I then endeavored to bring about a conference by having the officers of the National Civic Federation use their good offices to that end. I wrote a letter to Mr. Seth Low, chairman, and Mr. John Mitchell, chairman of the trades-

agreement department of that organization, requesting that they solicit Mr. Gary, of the United States Steel Corporation, to grant us a conference.

I was later advised that Mr. Low had taken the matter up with Mr. Gary, and had been told by that gentleman that the matter was in the hands of the officers of the American Sheet & Tin Plate Co., and that he (Mr. Gary) did not care to interfere.

In the meantime the amalgamated association held a meeting of delegates from its subordinate lodges, the members of which were employed in either sheet or tin mills, whether employees of the American Sheet & Tin Plate Co. or other companies. At this meeting it was decided that the members would not resume work in the mills of the American Sheet & Tin Plate Co. on July 1 if a conference was not held and a settlement reached before that time.

As no such conference was held or settlement made, the decision of the meeting referred to was carried out, with the result that practically all the men in the hot-mill department of the plants before enumerated refused to return to work on July 1, with the exception of those employed at the sheet mill known as the Guernsey Works, Cambridge, Ohio.

At this plant only about four men responded to the strike order. This is only to be explained by the fact that prior to April, 1909, this plant had been idle since July, 1908, and the men were in financial straits to such an extent that they felt unable to stand any further idleness, coupled with the facts that through the enlargement of the capacity of the plant while it was idle a number of them were given more remunerative jobs than they had before held, and that the local business men threatened to deny them credit if they refused to work. These are the reasons advanced by the men to representatives of the amalgamated association in conversation with them.

The plants at Niles, Ohio, Connellsville, Pa., Struthers, Ohio, Muncie, Ind., Anderson, Ind., and Gas City, Ind., have been idle for many months and in most cases for two or more years prior to the present strike. The result was that few or no men were left in the locality of those plants at the time the strike began. In all, approximately 4,300 men left the hot-mill department of those plants affected herein named on July 1, 1909. The overwhelming majority of these men were English-speaking people, and a large majority of them were American-born citizens. With rare exceptions those that were foreign born were citizens of the United States for many years. Continental European people had found employment in the hot-mill department of the plants affected only in a very limited degree.

Shortly after July 1 the American Sheet & Tin Plate Co. undertook to operate a number of their plants with other than their former employees, or what is commonly known as strike breakers.

While the company seemed to be making efforts to secure men for this purpose wherever they might be found and in such numbers as could be secured, Pittsburgh was made the chief recruiting center and rendezvous. The greatest number of those who had practical experience as sheet or tin workers that accepted employment with the company were secured from the nonunion independent mills and were induced to accept the employment by the payment by the company of a fixed day rate for each job regardless of output, which rate frequently exceeded the amount possible to be earned in a mill paying the union scale. This arrangement continued in most of the plants until late in the fall of 1909.

Another inducement offered by the company to the strike breakers in many instances was jobs the regular pay of which was higher than the ones they then held and which their lack of necessary skill made it difficult for them to secure.

In addition to the class of men just mentioned, the company hired a horde of inexperienced foreigners, including Syrians, Poles, Hungarians, and Italians, who had no sheet or tin mill experience. These men were mostly recruited in and about Pittsburgh by employment agencies and special agents of the company. In addition to these, the company introduced into these mills for the first time negro workmen, most of whom had had no previous experience and most of whom were secured in Pittsburgh. About 60 of these negro workmen were employed in the company's plant at South Sharon at one time, and many of them are there yet.

In the annual wage conference held with the American Sheet & Tin Plate Co. no intimation was given that they would not meet the amalgamated association in conference after that year. At that conference, however, the com-

pany's representatives wanted to exclude from the agreement the plants at Anderson, Ind., Gas City, Ind., Connellsville, Pa., and Niles Ohio. The reason advanced was that the plants were inoperative and that they did not want to put themselves in the position of making agreements for plants that might never be operated.

The amalgamated association representatives refused to take that view of it and insisted that those plants be included in any agreement that was made, which was done. One reason for strict adherence to that policy was that it was evident to us that any of these plants might be excluded from the terms of the agreement, might easily be put in operation as a nonunion plant, thus increasing the percentage of nonunion plants of the company, reducing the amount of work to be done in the union plants, and ultimately, by a slow but sure process, exterminate the organization in the plants of that company.

This conclusion had been forced on us by past experiences. It is a well-established fact that for a number of years the American Sheet & Tin Plate Co. has had a production capacity much in excess of its business needs in both the sheet mills and tin-plate departments. The inevitable result of this has been that even in prosperous times some of their plants have suffered an enforced idleness for want of business. Under such circumstances we have had the experience of men, after long periods of idleness, "petitioning" the company to operate the plants in which they were employed as a nonunion plant, and consequently at a reduced wage rate, upon the theory that they could thereby secure steady work. This was the case at Canton, Ohio, Dresden, Ohio, and New Kensington, Pa. It may be stated here that we have always been convinced that these "voluntary petitions" originated in the offices of the company. They have usually been vigorously advocated by local business men, who were anxious to have the plant resume operations regardless of the sacrifice necessary to be made by the men.

At the conference of 1908, at which that proposition of exclusion of the plants was made, a settlement was reached after the amalgamated association had agreed to accept a wage reduction amounting to approximately 6 per cent in the tin mills and a slight reduction in the sheet mills. This fact is referred to because of the frequent statements, credited to officials of the United States Steel Corporation, the Steel Corporation had not reduced wages during the recent panic.

Prior to the posting of the notices in the plants on June 1, 1909, the American Steet & Tin Plate Co. gave no notice to the amalgamated association of their intention to discontinue their relations with it, nor did they subsequently volunteer any such information.

It should be understood that the wage-scale agreement herein referred to provided for a uniform wage rate and conditions in all the plants to which it applied of like character.

It was also the same as agreed to by the independent manufacturers of sheet and tin plate who had agreements with us.

After the American Sheet & Tin Plate Co. had refused to meet the representatives of the amalgamated association in conference to negotiate a wage-scale agreement for 1909–10, a conference was held with a group of independent sheet and tin plate manufacturers and an agreement signed providing for the same scale of wages as was in effect in the sheet and tin mills for the scale year 1908–9.

All the independents who had agreements with our associations for the year 1908–9 signed that agreement or scale except the Youngstown Sheet & Tube Co., of Youngstown, Ohio. Mr. James A. Campbell told his employees that he would pay the same scale as the American Sheet & Tin Plate Co., and that he would sign the scale when that company did. The action of that company caused a strike there, which is still being carried on.

After July 1, 1909, when the strike became effective, an effort was made by the amalgamated association to organize the men in the nonunion mills of the American Sheet & Tin Plate Co. Our strongest effort was directed at Vandergrift, Pa., and we felt encouraged by the prospect until the events described in the following statements took place, with every indication of their continuance in some form or other.

NOTE.—The statements referred to in the foregoing paragraph are those made and sworn to by Vice President L. Lewis and Robert Edwards, and which appear elsewhere in this report.

CHARGES AGAINST THE UNITED STATES STEEL CORPORATION.

The meeting of trades-union representatives held in Pittsburgh last December decided that a number of committees should be appointed to make charges against the Steel Corporation to the President of the United States, in which its mistreatment of labor should be set forth. This was formally done on January 6 of this year. Later, at the invitation of the Department of Justice, a statement with evidence, which President Gompers had caused to be prepared, was submitted to the Attorney General in support of the charges.

Much of this matter has reference to events in connection with our strike against the American Sheet & Tin Plate Co., and serves to bring out clearly some of the opposition we have met with in the efforts that have been made to reach the nonunion men in the sheet and tin industry. I am embodying the statement in this report so that it may be preserved in our records. I would also commend it to the careful study of every delegate when opportunity presents.

The CHAIRMAN. Now, with the consent of the committee, this statement that you gave to the Government you can just insert in the record.

Mr. GARDNER. Where was this Vandergrift, Pa.? What was the name of the place where you say you expected success?

Mr. MCARDLE. Vandergrift, Pa.

Mr. GARDNER. What was the name of the mill there?

Mr. MCARDLE. It is the Vandergrift Works of the American Sheet & Tin Plate Co. I think that is what it is known as.

Mr. REED. That is right.

Mr. MCARDLE. What did you say, Mr. Chairman, regarding the statement I referred to?

The CHAIRMAN. I said you could put that into the record.

Mr. MCARDLE. Together with what I read?

The CHAIRMAN. And the rest of it, so much as you gave to the department.

Mr. REED. It is understood, of course, that all that Mr. McArdle cares to submit will be considered as being put in under oath?

The CHAIRMAN. Yes.

I wanted you to read that much of it, because it covered in a few words what I wanted to question you about, and I suggested that simply to save time.

I understood you to state that the great majority of these workmen who left the employ of the United States Corporation, or of the American Sheet & Tin Plate Co., were American citizens, or American born. Of what class were the foreigners then in the employ of this company? Who were they, and how did they happen to be there? Please explain that to the committee.

Mr. MCARDLE. The men to whom I refer were employed in the hot mill department; that is, the department of the works where the plates are rolled, and are to be separated in consideration of the subject from those who were engaged in the strike who were employed in the tin-house department. Those to whom I referred as foreigners, that is, as being foreign born, were chiefly the Welsh workmen who had come to the country mostly at the beginning of the extension or expansion of the tin industry in the nineties.

The CHAIRMAN. As I understand, the making of tin plate is a comparatively recent industry?

Mr. MCARDLE. Yes, sir.

The CHAIRMAN. When did this industry became a factor in the steel business?

Mr. McARDLE. Beginning in the early nineties. It developed pretty rapidly during seven or eight years after 1892.

The CHAIRMAN. Does it employ many skilled laborers?

Mr. McARDLE. Yes, sir.

The CHAIRMAN. Were there any tin men skilled in the handling of the sheet steel, which is the basis of this tin, and in the tinning of it, in this country at that time?

Mr. McARDLE. No; not many.

The CHAIRMAN. Where was that industry principally carried on at the time of its institution in this country?

Mr. McARDLE. Chiefly in Wales.

The CHAIRMAN. As I understand you, when that industry was first established here it was necessary to bring on tin workmen, there being none in this country, from Wales—the more expert ones?

Mr. McARDLE. Yes, sir. There were men engaged in the sheet industry who were very well advanced in the skill because of the similarity of the work, but not just exactly along the lines followed in the tin industry itself.

The CHAIRMAN. Did these skilled Welsh workmen remain in this country after they came over here?

Mr. McARDLE. Yes, sir; that is, speaking generally.

The CHAIRMAN. Did they become citizens of this country?

Mr. McARDLE. Yes, sir.

The CHAIRMAN. So that at the time that about 6,000 workmen went out, as Mr. Irvin testified, about how many of them were there altogether that were displaced at that time?

Mr. McARDLE. Mr. Irvin gave the figure as 6,000. I take it that he meant in all departments of the mills. Those who were employed in the departments that belonged to our organization, that was represented by our organization, we approximate at 4,300, and the number employed in the other departments we understood at that time, from the representatives of the other organizations, to have been about 1,200 or 1,300.

Mr. REED. I do not think Mr. Irvin meant to give those figures as exact. He said that was only his impression.

Mr. McARDLE. Yes.

The CHAIRMAN. You make it about the same figure?

Mr. McARDLE. I would make it about 5,600, approximately.

The CHAIRMAN. As I understand it, this was the first time that this class of foreigners—Syrians, Poles, and Hungarians or Roumanians—were brought into this industry, namely, at the time of this strike, and for the purpose of taking the place of these Welsh and American workmen who went out. I am speaking now of these Syrians, Poles, and Roumanians.

Mr. McARDLE. I would not say that that was the first time they had been employed in the industry. I would say that there were comparatively few of them in the hot-mill department; perhaps a larger proportion in the tin-house department. As I understand the advertisement which has been referred to, it referred chiefly or specifically, I think, to the tin-house department.

The CHAIRMAN. Explain to the committee the character of this work, the number of hours the men work, whether it is like the work

around the blast furnaces—easy work—where a man, it is alleged, works one hour and rests three, or whether it is continuous.

Mr. McARDLE. The work is on an eight-hour basis, or shifts of eight hours each, in both the hot-mill department and the tin-house department. I am not so familiar with the work in the tin-house department, but the work in the hot-mill department is skillful and extraordinarily high, fast, hot, performed under anything but good conditions, because of the heat and the smoke that is almost all the time, particularly during hot weather, surrounding the work of the men.

The CHAIRMAN. Where does the smoke come from?

Mr. McARDLE. It comes from the necks of the rolls, on which they are forced to keep a certain amount of grease to keep the roll from becoming too hot from friction.

The CHAIRMAN. Does that grease burn and smoke?

Mr. McARDLE. Yes; the grease burns, causing smoke.

The CHAIRMAN. That causes a stifling atmosphere?

Mr. McARDLE. Yes.

The CHAIRMAN. You speak of the heat; that is, from these hot plates?

Mr. McARDLE. That is from the furnaces and the hot plates. The continuous or almost continuous operation of the rolls keeps them in a very heated condition. The continuous dragging of the plates over the iron floors or standings, as they are called, necessarily get them very hot, on which the men are forced to stand to do their work or walk. Then, there are the furnaces. And all this is within a narrow limited area.

The CHAIRMAN. It developed here that very little collective bargaining between the employer and employee is in the steel business.

Mr. McARDLE. I did not catch your first word.

The CHAIRMAN. I say it has developed in this hearing that there is very little collective bargaining between the employer and the employee in the steel business; that unionism is comparatively unknown in it; and that there is but little organization, especially in the Steel Corporation. Do you know whether or not that is true, whether there is now any organized labor among the workmen in these concerns?

Mr. McARDLE. So far as I know, there is not any collective bargaining—that is, a wage scale agreement negotiated by a labor union with the United States Steel Corporation, affecting any of its industrial plants. I am not prepared to make that statement as regards its mining industry. I am not so familiar with it.

Mr. REED. And its railroads?

Mr. McARDLE. And its railroads.

The CHAIRMAN. I believe the same condition prevails on railroads owned by the Steel Corporation as on any other railroad. Outside of that, I do not know of any recognized union.

Now, you have had some experience as a practical man. I believe you are a member of the city council in Pittsburgh now, and are in politics and in business.

Mr. McARDLE. Nonpartisan.

The CHAIRMAN. Can you account for that condition?

We find labor organizations usually among carpenters, paperhangers, bricklayers, and plumbers, and so on. Why is it that among these 200,000 men there is found no semblance of an organization?

Is it that they do want it, or what is the reason for it? If you can give any explanation, I would like to know it.

Mr. McARDLE. I take it it is because the employer does not want it.

The CHAIRMAN. Is there any other reason? Is there anything in the nature of the employment, the manner in which the men work, that would prevent anything like a community of interest between them, as to working together?

Mr. McARDLE. No, sir. That has already been proven by experience, because there is not any branch of the industry that at some time or other has not had an organization in connection with it.

The CHAIRMAN. What is the proportion now, under present conditions, of the highly skilled and the unskilled labor among the 180,000 or 200,000 employees of this concern; do you know?

Mr. McARDLE. That would be difficult to answer with any degree of accuracy. My impression would be that in the larger steel plants, such as would be represented by those at Homestead, Braddock, and Duquesne, and such industries as that, that the skilled labor would represent comparatively a small number, while in the tin and sheet industry the skilled labor would represent a large number.

The CHAIRMAN. In the highly finished product you find quite a number of skilled employees?

Mr. McARDLE. Yes, sir.

The CHAIRMAN. Do you know whether there is any disposition among those in positions that pay well for skilled employees, like rollers, to organize and to look to the interests of those next below them, and so on down, like you find among the unskilled laborers in communities generally or among the spinners in a cotton mill? For instance, take a cotton mill, and you find 100 or 200 new spinners. You know something about the cotton-mill industry. They seem to have a community of interest—a fellowship—among them.

What I want to know is if you find that disposition among the skilled steel laborers?

Mr. McARDLE. I think there is a disposition, a desire, a feeling to do it, but I think there is a fear perhaps that overcomes all of that.

The CHAIRMAN. Each fellow is afraid of losing his place?

Mr. McARDLE. That is my judgment.

The CHAIRMAN. He is afraid the fellow next below him will get it?

Mr. McARDLE. That there are too many men below that are in line of advancement, in whom he possibly would not have confidence, owing to what he feels to be the position on the part of the employer against any attempt to organize.

The CHAIRMAN. Explain that—about the jealousy that exists among the skilled laborers in the structural-steel works; among the manufacturers of heavy products of iron. What relation has this jealousy of his position to the comparatively few men in it? What effect has that upon the industry, in the esprit de corps of the men? I would like you to explain that to the committee.

Mr. McARDLE. In the industries to which you refer I do not think there is a very close relation; that is, the work does not bring them in as close contact as it does in some other departments, like the bar mills and sheet mills, the tin mills. There are comparatively few of them necessary to operate the machinery and the improved methods which are now in vogue in that line of industry. They are largely

separated, so that there is not very much of an opportunity for the development of that feeling.

I would say, further, it is my judgment that in that branch there is not a great deal of skill, speaking in a comparative way, with the business in its earlier stages of development. From that standpoint, I would say that there is not a great deal of skill there.

The CHAIRMAN. What do you mean by that?

Mr. MCARDLE. It is more largely a mechanical proposition than it formerly was, with the improved machinery, which has eliminated to a very large extent the degree of skill that was formerly required, and to a greater extent lessened the number of skilled men required.

Mr. GARDNER. In regard to that last question: You said it has lessened the skill and lessened the number of skilled men both, has it?

Mr. MCARDLE. Yes; that is my judgment.

Mr. GARDNER. Are you familiar with the work in blast furnaces?

Mr. MCARDLE. No, sir.

Mr. GARDNER. What I want to get at is this: We have had a good deal of evidence on both sides which is very divergent as to the conditions of labor in blast furnaces. We have had, on the one hand, witnesses who have said that, although it was a 12-hour day, for all that there was only one hour in every four when the men were working; to wit, when they tapped the furnaces, if that is the correct expression?

Mr. MCARDLE. Yes; I think so.

Mr. GARDNER (continuing). And that the other three hours they could loaf around, much as a watchman does.

Then, on the other hand, we have had evidence tending to show that, instead of that being the case, they actually are at work nine hours, and the other three are the leisure hours.

Could you give any fair estimate of your best judgment as to where the truth is, between those two statements?

Mr. MCARDLE. No, sir; I would not care to make a statement regarding such a definite question as to the operations of a blast furnace, because my experience is limited; I really have had no experience. It has only been a very casual observation. I have never made an investigation.

Mr. GARDNER. Can you suggest the name of a good, level-headed man who will not exaggerate either way, who knows of his own knowledge, and who can come up here and tell us, and will? I do not want to embarrass a man with his employers, or anything like that; but can you tell us of a good man who will not exaggerate, and who can and will tell us about that?

Mr. MCARDLE. I can not just now. I might be able to later on.

Mr. GARDNER. If you can, will you communicate with the committee?

Mr. MCARDLE. I shall be glad to do so.

Mr. GARDNER. I wish you would; because where statements so very divergent as this are made to this committee, it is hard for us to get a fair estimate of the truth; at least, it is for me.

How about organized labor amongst the independents: First, as to Jones & Laughlin? Are their workmen organized?

Mr. MCARDLE. No, sir. There has been no organization among Jones & Laughlin's men since 1897, so far as that branch of the industry is concerned of which I have been speaking.

Mr. GARDNER. I did not know whether, as a matter of fact, they did make tin plate.

Mr. McARDLE. They do now, but that is a recent thing.

Mr. GARDNER. How about Cambria?

Mr. McARDLE. There is none there.

I may anticipate your question, Mr. Gardner, by saying that there is no organization, now, in any large steel plant in the United States. When I say that, I mean those making steel.

Mr. GARDNER. Making the cruder forms?

Mr. McARDLE. Yes; as distinguished from those who are finishing steel products——

Mr. GARDNER. Making tools and——

Mr. McARDLE. Leaving out tin plate and bar iron.

The CHAIRMAN. I may be under a misapprehension, and I want to be corrected, if I am. How about the Republic Iron & Steel Co.?

Mr. McARDLE. They come under the exception that I had in mind when I answered Mr. Gardner, that they do employ union labor, but their chief business is the bar-iron business. It has been. They are developing rapidly into the production of steel pipe and so on.

The CHAIRMAN. That is all, Mr. McArdle. Thank you.

Mr. GARDNER. They have blast furnaces, do they not?

Mr. McARDLE. Yes.

Mr. GARDNER. Are their blast-furnace men organized?

Mr. McARDLE. No blast-furnace men are organized in the country.

Mr. GARDNER. It is only their skilled men who are organized, is it, in the Republic Works?

Mr. McARDLE. Their skilled men and their bar-iron mills.

Mr. GARDNER. I do not know what a bar-iron man is.

Mr. McARDLE. He makes bar iron, rounds, squares, wagon tires, and so forth.

Mr. GARDNER. You are a member of the commission that governs the city of Pittsburgh. It is a commission form of government, is it not?

Mr. McARDLE. No, sir; it is a small council of nine members, as distinguished from the usual form of two bodies.

Mr. GARDNER. That is what I meant.

Mr. McARDLE. Yes. What I meant is that the mayor is there, with his usual powers and functions.

Mr. GARDNER. That is so with us in what we call the commission form of government in my State.

We have a great deal of evidence as to the conditions of labor and the inadequacy of pay. That ought to show in the vital statistics or the statistics of illness in the city of Pittsburgh. Have you made a study of those statistics?

Mr. McARDLE. No, sir; I have not.

Mr. GARDNER. It ought to show there if it is as alleged. I have no idea whether it does or does not show there. I thought possibly you might be able to answer that question.

Mr. McARDLE. I might say, however, in that connection, that so far as the general discussion along that line has gone affecting Pittsburgh, it would not necessarily show in the vital statistics of Pittsburgh because the greater part of that discussion has had reference to territory outside of the city limits of Pittsburgh.

Mr. GARDNER. Would it show in the vital statistics of Braddock, Allegheny, and McKeesport?

Mr. MCARDLE. Braddock, Homestead, Duquesne, and McKeesport are, perhaps, the chief ones.

Mr. GARDNER. That ought to show it, then.

Do you know whether their vital statistics are kept as accurately as city statistics are kept?

Mr. MCARDLE. I could not say, Mr. Gardner.

Mr. GARDNER. Is their method of keeping such statistics pretty much up to date? Do they have a city organization up there?

Mr. MCARDLE. I could not give you any information on that point.

Mr. GARDNER. That is all.

Mr. YOUNG. When you say that there are no union men employed in the steel mills, those making the cruder forms of steel, do you mean literally that or do you mean that the employers do not deal with the unions and make bargains with the unions as they formerly did with the amalgamated association?

Mr. MCARDLE. I think I stated, Mr. Young, in answer to that question, that there is not now any collective bargaining.

Mr. YOUNG. Yes; you stated that; but later, in replying to a question of Mr. Gardner's, I understood you to say that there were no union men in those mills, and I wanted to know if you really meant that.

Mr. MCARDLE. I had special reference, Mr. Young—which I presume Mr. Gardner understood—to that class of men who, if they belonged to labor unions, would belong to the amalgamated association.

Mr. GARDNER. What Mr. Gardner would have assumed would be that it would not be worth while for men to keep their union cards paid up if they were out working in a nonunion place.

Mr. MCARDLE. What I can say directly to Mr. Young is that the statement can be taken literally.

Mr. YOUNG. I understood you to state earlier that you were the president of the amalgamated association, or this branch of it, until some time in 1911; is that correct?

Mr. MCARDLE. Yes. About September 1.

Mr. YOUNG. I assume that the organization certainly existed and must have members.

Mr. MCARDLE. Yes, sir.

Mr. YOUNG. At least to that time; that is true, is it not?

Mr. MCARDLE. Yes.

Mr. YOUNG. Where are these men working?

Mr. MCARDLE. In answer to Mr. Gardner I described what I had in mind as the steel plants. There are many mills throughout the United States that do not work any steel at all; they work iron.

Mr. YOUNG. Yes.

Mr. MCARDLE. Among the trade, whose language perhaps I would have, a tin mill or a sheet mill would not be regarded in the ordinary sense as a steel mill, because it does not produce any steel; it merely finishes the steel into the product.

Mr. YOUNG. I understand.

Mr. MCARDLE. It is in that class of mills that the present members of the amalgamated association are employed—in these iron mills and in independent sheet and tin mills.

Mr. YOUNG. Are they employed in the sheet and tin mills of the United States Corporation's subsidiaries?

Mr. MCARDLE. I think perhaps there are some men who are now employed in the sheet and tin mills of the United States Steel Corporation who are holding their membership in the amalgamated association.

Mr. GARDNER. I presume that is all dead loss to them to do so? They have to keep their union cards paid up without getting any special benefit from it?

Mr. MCARDLE. It is a dead loss in a sense.

Mr. GARDNER. I mean, immediately and pecuniarily it is a loss?

Mr. MCARDLE. Except in so far as the existence of an organization to which they would contribute would influence their wage rate and their treatment.

Mr. GARDNER. Let me put it this way: Suppose a man who has been a union man allows his card to lapse and then he wants to go to work in a closed shop of the same sort at a future date; he has to pay his back dues, has he not?

Mr. MCARDLE. I might say there, Mr. Gardner, that there is not now, nor has there even been, what people generally speak of as a "closed" shop in the iron and steel business. We spoke of a union mill as a mill where the company had agreed with the organization to pay a certain scale of wages and work under certain fixed conditions. There was never an agreement between us that they should or should not employ any particular kind or class of men. It was not predicated upon their membership in the organization.

Mr. GARDNER. You had nothing like a union stamp?

Mr. MCARDLE. No, sir. We had no label, nor did we have a condition where a man had to be a member of the union before he could go into a mill and be employed.

Mr. GARDNER. What I was trying to get at was this: You take a union in the shoe business. Suppose a factory is a union-stamped factory, the work may slack and the man may go to some open shop for a good while, but he will keep his card paid up, because he does not know when he will want to go back again, according to the conditions of the trade, in the union-stamp factory. If it continues a very long time he allows his card to lapse; the union probably does not require him to pay up the whole amount. That is a matter for adjustment between the union and the man. But, substantially speaking, a man would not join a union until he wanted to go into a union-stamped factory. If he was in an independent one that would simply mean that he would have to pay his 25 cents right along without its doing him any good?

Mr. MCARDLE. Either for that purpose or for the purpose of laying a foundation for the union in the plant in which he was then employed and ultimately making that a union plant.

Mr. GARDNER. I should say that that did not happen so often, so far as shoe men are concerned.

Mr. MCARDLE. The industries where men work for any length of time and retain their membership in nonunion plants are very few in the steel industry.

Mr. GARDNER. I should suppose, in the nature of things, that would be so.

Mr. MCARDLE. That is true.

Mr. YOUNG. I would like to ask you this question; I do it because I assume that you know a great deal more about it than I do: Do you assume that the union is of no benefit to a man whatever unless there is collective bargaining? I had supposed there were many ways in which it might be of some benefit to the men. Mr. Gardner's question seemed to indicate that that is his idea.

Mr. MCARDLE. No.

Mr. GARDNER. That what was my idea?

Mr. YOUNG. That unless they could have collective bargaining the union could be of no benefit to the man at all.

Mr. MCARDLE. No; I do not assume that, and I do not assume that Mr. Gardner meant that. I do assume this, however, that a few union men scattered throughout a few hundred nonunion men in a plant owned and operated by people who are opposed to unionism would get very little benefit out of an organization while they worked in that plant; that is, so far, at least, as it might affect their wage rate and working conditions, laying aside the possibilities of its providing any side features, like sick or death benefits.

Mr. YOUNG. But if there was a large number of union men they could still act collectively in their own interests, although they were not recognized, to use that term, by the employer?

Mr. MCARDLE. Yes.

Mr. YOUNG. They could still meet together and discuss what they thought it best to do in regard to wages and conditions, and act unitedly?

Mr. MCARDLE. That is true in theory, but it has few demonstrations in practice.

Mr. YOUNG. There is sometimes a strike, under those circumstances——

Mr. GARDNER. There are instances where a room will be organized in a shoe factory. For instance, the factory being open shop, practically a whole room is organized, and they, either correctly or incorrectly, think it gives them a chance to make a better bargain for that particular class of work in the shoe industry. I have known that to happen.

Mr. MCARDLE. Oh, yes; that is true.

Mr. GARDNER. But, broadly speaking, my own observation in the shoe unions is that, especially in places that make men's Goodyear welt shoes, which are rather different, men employed are very apt not to join the boot and shoe workers' unions until they want to go to work in a place where there is a union-stamped factory, for the reason that they do not want to pay 25 cents a week when they do not see just what is coming to them out of it.

Mr. MCARDLE. I think that is the general situation, both in and out of the shoe industry.

Mr. GARDNER. I wondered if it would apply to other industries.

Mr. MCARDLE. I think it applies generally. Of course there would be some exceptions to that, but the point is that shoe men do that because the experience, particularly in the steel industry, has been that men may not retain any active part in a labor organization after the nonunion condition has become a settled fact.

Mr. GARDNER. That is to say, that there is practically no such thing as an open shop. It is either one thing or another?

Mr. McArdle. That is the condition. The open shop, in my judgment, is very much of a misnomer.

Mr. Gardner. That would not necessarily be so in the shoe business. I am quite confident, from my own observation, that there is every gradation there.

Mr. McArdle. Of course there always has been in the steel industry a gradation, and there never was a time when any plant in the steel industry or any of its correlated industries was all organized.

Mr. Gardner. Of course, I suppose the situation is entirely different. In the shoe industry, for instance, it is a very close question with a great many manufacturers as to whether they want to be protected from a strike by having the three years' agreement and the union stamp or whether they would rather run their own business without that. So far as I have observed, there is very little effort to organize the factories against their will—I am speaking of men's Goodyear welt shoes—and among the manufacturers it is very much of a question as to whether it is more worth while to him to be guaranteed against a strike for three years and to have the union stamp, or whether he would rather run his business in some other way. I should say there has been very little change in the situation the last 15 years in my neighborhood.

Mr. McArdle. With the shoe business, of course, there is the commercial aspect as to whether it shall be union or nonunion.

Mr. Gardner. It is an entirely different proposition, I have no doubt.

Mr. Beall. At the time that your organization was recognized and making its collective bargains and contracts, were nonunion men employed in these mills also?

Mr. McArdle. Yes, sir.

Mr. Beall. That is, the form of these contracts with your organization did not carry with it the obligation upon the part of the company to exclude from their works nonunion men?

Mr. McArdle. No, sir.

Mr. Beall. Was that true only of different departments, or was it also true of the same department? Would you find union and nonunion men working in the same department?

Mr. McArdle. A sheet mill, for example, has a crew of eight or nine men, each one's labor necessary cooperatively to produce a piece of sheet iron. What I mean is that five of those may have been members in good standing in the organization and four of them not.

Mr. Beall. And there was nothing in your contract that interfered with the freedom upon the part of the employer to employ nonunion men to work with the union men at the same task?

Mr. McArdle. No, sir. We depended on our ability to convince the man that he should become a member of the organization.

Mr. Beall. This strike began, I think you said, on July 1, 1909?

Mr. McArdle. Yes, sir.

Mr. Beall. How long did it continue?

Mr. McArdle. It was officially declared off by the organization on the 27th of August, 1910.

Mr. Beall. It lasted, then, almost a year and two months?

Mr. McArdle. About 14 months.

Mr. Beall. What was the result of that strike?

Mr. McARDLE. The result was that the mills have been operated as nonunion mills.

Mr. BEALL. You lost the strike?

Mr. McARDLE. Yes, sir.

Mr. BEALL. What, in your judgment, was the cause of that result? Why was not the strike successful?

Mr. McARDLE. My judgment as to why the strike was not successful is this: That the American Sheet & Tin Plate Co., through its affiliations as a subsidiary of the United States Steel Corporation. had too many resources back of it.

Mr. BEALL. In other words, you had not only to contest the field with these particular mills, but you had to meet all the resources of the United States Steel Corporation and all the other departments?

Mr. McARDLE. That is my judgment.

Mr. BEALL. That is what you meant?

Mr. McARDLE. Yes. I might say this, to more fully explain: Presuming, you understand, that the large number of American Sheet & Tin Plate Co.'s mills were already operating as nonunion plants when this strike began, I believe that had the American Sheet & Tin Plate Co. been a corporation standing by itself, without any relation or alliance with other corporations, such as the Carnegie Steel Co. or the other subsidiaries that go to make up the United States Steel Corporation, we could have organized a sufficient number of nonunion men so as to have forced the American Sheet & Tin Plate Co. to continue to enter into an agreement with the men collectively.

Mr. BEALL. That is what I was trying to get at.

I understood you to say at the time this strike began that a large proportion of the men employed in these particular mills that were affected by the strike were either American born or naturalized citizens?

Mr. McARDLE. Yes, sir; so far as the hot mills were concerned.

Mr. BEALL. What is the situation in that regard since the strike?

Mr. McARDLE. I would not be able to answer that definitely, because I am not advised or informed as to how many of the old men finally got employment or how many of the others that were taken into their employment during the early stages of the strike were finally retained.

Mr. BEALL. Speaking generally, could you give any idea as to whether the percentage of American-born and naturalized citizens has increased or decreased since that time?

Mr. McARDLE. I would take it naturally to have decreased.

Mr. BEALL. You spoke about the discharge of a good many of the Welshmen who had become American citizens.

Mr. REED. I do not think he said they were discharged, Mr. Beall. I think he said they left of their own accord.

Mr. BEALL. Well, they went on strike. Do you have any knowledge as to whether or not they were reemployed in any considerable number?

Mr. McARDLE. Yes; I think a considerable number of them were employed, while a considerable number of them sought and got employment in other plants.

Mr. BEALL. Do you know whether or not, in the course of the strike or afterwards, when these men were being reemployed, there

was any discrimination practiced against the men who had been active in the union?

Mr. McArdle. I know that some of the men were unable to get employment again, some men who were known not only to have been sober, industrious, steady men, and good citizens, but good workmen as well.

Mr. Beall. From year to year you have been making and renewing these contracts between your organization and this company. What objection was urged against its renewal in 1909?

Mr. McArdle. There was no objection urged or statement made. As I noted, in the statement I read, they gave us no indication as to what their reasons for taking this step were.

Mr. Beall. I understood that to refer to the official intercourse between your organization and the officers or representatives of this company; but, aside from that, did you never hear any reason assigned as being the reason that prompted them to this action?

Mr. McArdle. The only reason was that which was stated in the notices that they posted, as printed in the papers at the time. I did not see any of the original notices; that this conclusion had been reached after careful consideration as to what would be to the best interests of the company and their employees without being specific.

Mr. Beall. Do you know whether they claimed that, as a result of this change, they would get a better class of employees?

Mr. McArdle. No, sir.

Mr. Beall. Do you think they had that result in view?

Mr. McArdle. No, sir; I am positive that they did not.

Mr. Beall. Was it with the expectation of there being any change in the hours of work?

Mr. McArdle. Are you asking what I understand to have been their views?

Mr. Beall. Yes.

Mr. McArdle. Or my judgment?

Mr. Beall. No. What you understood to have been their views from what you saw at the time.

Mr. McArdle. I do not know that they ever indicated that any of these results would follow.

Mr. Beall. You had, at that time, an eight-hour day in the works?

Mr. McArdle. Yes.

Mr. Beall. Has that been changed in any way?

Mr. McArdle. No, sir; I think that is practically impossible to change.

Mr. Beall. Did you understand that there was a purpose of securing men at a smaller wage?

Mr. McArdle. Of course, that was one of the immediate results, as set forth in the notice, that a good part of the men in the hot-mill department would be reduced in their wages.

Mr. Beall. And they were reduced?

Mr. McArdle. They were at that time. That is, they attempted to put that scale into effect. I do not think, however, that they operated under it very extensively.

Mr. Young. I understood you to say that, as a matter of fact, in order to get the men they had practically to increase their wages, in order to fill their mills at that time?

Mr. McArdle. Yes; that is usually the case in such instances.

Mr. GARDNER. In your preliminary statement, that you read, you said the notice contemplated a reduction of 3 or 4 per cent in certain branches and 2½ per cent in other branches. Was that correct?

Mr. MCARDLE. Yes, sir; that is, to certain workmen in other branches it was uniform, as I understood it, in the tin branch, and applied to only three of the workmen on a crew in the sheet branch.

Mr. GARDNER. How many workmen do you think that applied to altogether in the tin and sheet branch, then? In the first place, how many did the larger reduction apply to?

Mr. MCARDLE. The larger number. Perhaps 2,600 or 2,700 of that 4,300, I judge, who have been employed in the tin mills.

Mr. GARDNER. They lost 45 per cent, or whatever——

Mr. MCARDLE (interrupting). Six per cent was the amount I stated their wages were reduced.

Mr. GARDNER. And in the other case it was 2.46 per cent?

Mr. MCARDLE. The 2.45 reduction applied to the sheet men; yes.

Mr. GARDNER. That applied to the lesser number of men?

Mr. MCARDLE. Yes, sir.

Mr. GARDNER. To how many men did that apply approximately?

Mr. MCARDLE. That applied to a comparatively small number, because it only embodied about half of the men, or one-third.

Mr. GARDNER. You said the greater reduction applied to about 2,300 men?

Mr. MCARDLE. About 2,700, I should judge. That is a rough guess.

Mr. GARDNER. Did this lesser reduction apply to 1,300?

Mr. MCARDLE. No; not so many.

Mr. GARDNER. There would be 3,500 men affected altogether? Would that be a fair estimate?

Mr. MCARDLE. Yes. I was just going to say that there would be probably 600 or 700 in the class that would receive the 2½ per cent approximate reduction.

Mr. GARDNER. When these competent workmen of whom you speak were unable to get reemployment—you know to what I allude?

Mr. MCARDLE. Yes.

Mr. GARDNER (continuing). Were they in any cases, or in all cases, men who had been officers of the union or had been known as leaders of the strike?

Mr. MCARDLE. All that I had in mind were; that is, they were local leaders.

Mr. GARDNER. They were either officers or men recognized as being men of influence in the unions?

Mr. MCARDLE. Yes.

Mr. GARDNER. Were there many such cases?

Mr. MCARDLE. Quite a number of them, comparatively.

Mr. YOUNG. What do you mean by "quite a number"? Can you guess at it? About how many do you think there were?

Mr. MCARDLE. Every town where the strike took place had a few. Of course, I imagine there were a great many more than ever came to my notice.

Mr. STERLING. How do wages compare now with wages before the strike?

Mr. MCARDLE. I do not think there is much difference. If I may be permitted, I would like to recall the fact that, after the reduction

of which I speak, which was supposed to be inaugurated on the 1st of July, 1909, I stated, as Mr. Young reminded me, that they were forced to pay not on a tonnage rate, or not on the basis of production at all, but on the basis of a daily guarantee, which did not take anything into consideration except the man's time for some months. Then I remember that, about the 1st of October, or thereabouts, they did put into effect their tonnage rate, and I think it continued until the spring, or about May 1 of the following year, when they granted an advance.

The statements appearing in the newspapers at that time as emanating from the Steel Corporation were to the effect that that was a general advance in wages given by the corporation, and I think that that scale of wages is still in effect, so far as I know, at most of their plants.

Mr. GARDNER. What has been the effect of the disappearance of these footnotes of which you spoke?

Mr. MCARDLE. I do not know. It depends entirely, of course, on each specific mill and its operations. In the case of each one that was left out, if its provisions were not lived up to afterwards, it meant some loss to the workmen, because almost without exception they were put in there for some specific advantage to the workmen.

Mr. BEALL. Mr. McArdle, what was the status of organized labor in the steel industry at the time the United States Steel Corporation was organized?

Mr. YOUNG. That would be in 1901.

Mr. BEALL. In 1901; yes.

Mr. MCARDLE. Yes. The mills, excepting the large steel mills, were pretty generally organized; of course, not all. I mean the corporation mills. A goodly number of the plants, a large number of the plants, were then organized. They were organized at the time of this strike to which I have been referring.

Mr. BEALL. Did the same thing apply with reference to the independent companies—to the companies that did not go into the United States Steel Corporation? Was union labor recognized in them to any considerable extent in 1901?

Mr. MCARDLE. In 1901, so far as the western part of the country was concerned, there were very few mills that were not represented in the corporation, outside of the Republic Iron & Steel Co. and the independent plants that have continued to operate as union plants. The independents in the sheet and tin business have developed pretty largely since 1901.

Mr. BEALL. And, as I understand your testimony, since 1901 organized labor as organized labor has been gradually eliminated from the steel industry?

Mr. MCARDLE. Take the specific instances that I can call to mind. In 1904 the mills in the Youngstown district belonging to the Carnegie Steel Co., which had formerly been a part of the American Hoop Co., and which was merged into the Carnegie Steel Co. after the formation of the United States Steel Corporation, were operated as union mills; that is, five plants, two at Youngstown, one at Greenville, Pa., one at Girard, Ohio, and one at Warren, Ohio, were operated as union plants.

In 1904 the Carnegie Steel Co. made to the amalgamated association a proposition of a new scale of wages affecting those plants—

not affecting them in the way that they had been affected by the scale; that is, the same wage rate applying in each plant—but they worked out a scale of wages that had specific application to each of the mills, in each separate plant. That scale of wages affected the rates on different sizes of iron and rolled steel from about 20 to about 70 per cent.

Mr. BEALL. Without going into details, see if you agree to this general proposition——

Mr. MCARDLE. That was as far as I was going, except to say this: That, as a result of that, a strike was inaugurated, which finally lost those five plants; and that wound up organized labor, so far as the iron and steel worker was concerned, in the plants of the Carnegie Steel Co., and left only the one or two—one, I think—in the National Tube Co., and the plant in the American Sheet & Tin Plate Co., and two or three different times during that mills had been dropped by the American Sheet & Tin Plate Co.; and this plant I refer to by the National Tube Co., until the present instance of which I spoke, which wiped them all out.

Mr. BEALL. Let me see if this general statement is correct: That in 1901, when the United States Steel Corporation was organized, organized labor was recognized and represented in the steel industry generally. Is that right?

Mr. MCARDLE. No; I would not say generally; because it was not represented in such plants as the Homestead, Braddock, Duquesne, and Rankin, and those places.

Mr. BEALL. It was represented, then, to a very considerable extent?

Mr. MCARDLE. Yes, sir.

Mr. BEALL. Since 1901 organized labor, as an organization, has been eliminated very largely from the steel industry?

Mr. MCARDLE. Yes, sir.

Mr. BEALL. Tell me whether or not the United States Steel Corporation took the initiative in this work of eliminating organized labor since the United States Steel Corporation was incorporated?

Mr. REED. He has already testified that Jones & Laughlin put an end to it in 1897—four years before.

Mr. BEALL. Yes.

But, among the corporations that in 1901 recognized organized labor, which of those corporations since that time has taken the iniative in eliminating the organization of labor?

Mr. MCARDLE. Yes. I would say to that question that the United States Steel Corporation has taken the initiative; that the United States Steel Corporation has usually been held up as the reason for independent firms refusing either to continue their relations with the organization, such as the Youngstown Sheet & Tube, which I cited, or for their opposition to the men joining the organization, because of their professed inability to compete with the organization while running its plants so generally on a nonunion basis.

Mr. BEALL. The independents usually followed in the footsteps of the Steel Corporation in that regard?

Mr. MCARDLE. Yes.

Mr. BEALL. Is there any peculiarity about the steel industry that would make organized labor an undesirable kind of labor?

Mr. MCARDLE. No, sir.

Mr. BEALL. Is there any other great industry in the country of which you have any knowledge that has occupied as hostile an attitude to organized labor as has the United States Steel Corporation?

Mr. MCARDLE. I should judge not. I do not have any in mind.

The CHAIRMAN. You spoke of the Welsh being the skilled men in this tin-plate industry prior to its institution in this country. Do any Welshmen come over now to enter our American mills?

Mr. MCARDLE. Occasionally you will find Welshmen coming direct from Wales to enter the industry here.

The CHAIRMAN. Is it an exceptional case?

Mr. MCARDLE. Oh, yes; very exceptional.

The CHAIRMAN. Do any Englishmen come here now?

Mr. MCARDLE. Just about in the same degree. I recall having met but one Englishmen who has come to this country in the last seven or eight years to enter any branch of the steel business.

The CHAIRMAN. What countries are now engaged in the business of making sheet steel, for instance, such as can be used for tin plate? Where is that industry found principally?

Mr. MCARDLE. In England and Wales; Wales, chiefly, so far as tin is concerned.

The CHAIRMAN. And the making of sheet steel?

Mr. MCARDLE. In England and Wales.

The CHAIRMAN. Do they make sheet steel in Germany?

Mr. MCARDLE. I thing so; some.

The CHAIRMAN. Do any Germans come over here in connection with that industry?

Mr. MCARDLE. I have never seen a German come over here for that work. I have met Germans in the mills.

Mr. REED. They do not make tin plate in Germany.

Mr. MCARDLE. I did not say tin plate.

The CHAIRMAN. I spoke of sheet steel. Are there any steel mills of any kind in the countries from which these Poles, Roumanians, and Syrians come?

Mr. MCARDLE. Not that I know of.

The CHAIRMAN. Are these men, in any case, mechanics?

Mr. MCARDLE. That is a question I could not answer, except in so far as I have come in contact with them personally as a worker in the mills myself.

The CHAIRMAN. You have come in contact with hundreds of thousands of them, have you not?

Mr. MCARDLE. I would not put the number that large, Mr. Chairman, but I have met a great many of them.

The CHAIRMAN. What I was thinking about is that you spoke of being in the mills at the time of this strike, when 5,000 American workmen were displaced, and about the men coming in great numbers.

Mr. MCARDLE. I do not think any of those were mechanics, or especially tin or steel workers. They were just men. I do not think they pretended to be steel workers.

The CHAIRMAN. Do you know in what business they had been engaged before they were brought in from Pittsburgh to these mills?

Mr. MCARDLE. No, sir; I could not say as to that. The general majority of them would follow any kind of business.

The CHAIRMAN. What business were they engaged in in their native country—these Poles, Roumanians, Hungarians, and Syrians?

Mr. McArdle. I could not say as to the Syrians. My experience in the mills with these men indicated that they had always been chiefly agrarians or agriculturists; that they came from the farms. And, by the way, they wanted to get back as soon as they could get the price.

The Chairman. In this country where we have an American scale of life, and where the American workman is so much superior to his kindred workman in Germany, Wales, England, and everywhere else where they have steel mills except here, how do you account for the fact that none of those skilled workmen come over here to enjoy these blessings, and that they are employing these farm hands from Syria, Poland, Roumania, and other such places?

Mr. McArdle. I think they do not come here because it would not better their condition any to come here.

The Chairman. It would not better their condition? Is not the condition of the American workman better than that of the Welsh and English skilled workman?

Mr. McArdle. I could not say as to the Welsh. I had reference to the continental Europeans; but as to the conditions in Wales—I do not know that the wages are as high. I could not say as to what the relative purchasing power of their wages is, which, of course, is the determining factor as to what their wages are; but the conditions of employment in many of the American mills have been so unstable and unsatisfactory that it would take a material increase in wages to really better their conditions from what they have been in Wales for the last several years, because they have had fairly good employment over there.

The Chairman. Do you know whether they are organized over there or not?

Mr. McArdle. Yes, sir; they are.

The Chairman. They have organized labor in Wales and England in the steel business?

Mr. McArdle. Yes, sir.

The Chairman. Do you know about the hours of work in the two countries in the business generally?

Mr. McArdle. I think, so far as tin is concerned, the hours would be the same as they are here.

The Chairman. I mean as to the steel business generally.

Mr. McArdle. I could not say positively as to the steel mills.

The Chairman. Do you mean the Roumanians, Servians, Italians, that come over here and work in these mills do not become skilled workmen and remain here, but go back to those little farms from which they come?

Mr. McArdle. I would not say that. If they become skilled workers in the tin mills, it means that they are young men. An old man can not go into the tin and sheet business.

The Chairman. Why?

Mr. McArdle. Because he can not stand the work.

The Chairman. Is it that strenuous?

Mr. McArdle. It is that strenuous; and, at the rate it is going now, an old man, no matter what age he starts in, will not stay in it. I make that statement in all positiveness. And in the event of the young foreigners that are quick to pick up the work and physically

able to do it, I would not be willing to say that they would want to go back to the old country.

The CHAIRMAN. You spoke of vast numbers of them wanting to go back.

Mr. MCARDLE. I was speaking then, of course, of those that I had come in contact with, who were chiefly of what we call the common-labor class.

Mr. GARDNER. That, I presume, was so before the strike as well as since?

Mr. MCARDLE. Yes; it was before the strike that I was speaking of.

Mr. BARTLETT. You referred to an advertisement in the paper at the time of this strike, in which it was stated that a certain class of people—Roumanians, Poles, and Syrians—were preferred. Why were those people preferably to be employed during that strike, in your judgment?

Mr. MCARDLE. In my judgment?

Mr. GARDNER. Yes. I want to know what your judgment is on that.

Mr. MCARDLE. In my judgment it would be because they would probably be more successful in getting them to go into the plant.

Mr. BARTLETT. Tell me what you mean by that. I probably know, but I would like to have you explain what you mean by that—while the strike was going on.

Mr. MCARDLE. Under those conditions, every time that they hired a lot of these men, or had them ready to take to one of their plants, the representatives of the organization, if the opportunity presented itself, tried to dissuade them from going.

Mr. BARTLETT. What organization?

Mr. MCARDLE. The labor organization. They tried to explain the conditions that were existing there, what the strike was about, and to prevail on them not to accept employment under those conditions. Our experience was that there were a great many of those men who, when we attempted to talk to them about that, could not understand us.

Mr. BARTLETT. They did not understand the language or they did not understand your purpose?

Mr. MCARDLE. They did not understand the language.

Mr. BARTLETT. You think that was one reason, then, why they were more preferable—because they could not be informed of the purposes of organized labor, and therefore kept away?

Mr. MCARDLE. I would take that to have been; yes.

Mr. BARTLETT. Is it not a fact also that they were not generally or were very rarely members of your organization?

Mr. MCARDLE. There was no danger of their getting members of our organization. There would not be any doubt about that, because those members of our organization that did not want to stay with the organization preferred to go back and accept employment under the terms of the company, and they would not need to be advertised for. The advertisements were placed in the Pittsburgh papers, where there were no members of the organization that engaged in that branch of the trade. Of course the paper circulated outside of

there, too, but then I take it their efforts were chiefly to recruit men from the more densely populated district of Pittsburgh.

Mr. BARTLETT. Were those advertisements published in other languages than the English language? Do you know anything about that?

Mr. MCARDLE. Not that I know of, except as I heard it specified here the other day that it was published in a German paper.

Mr. BARTLETT. Do people of that kind that were preferred generally speak the German language, as you understand it?

Mr. MCARDLE. I think a great many of the Poles do. I do not think the Syrians do. It would not follow, of course, that they read the paper if they did speak the German language. I do not know.

Mr. BEALL. You spoke of the strenuous character of this work in the mill. What, in your judgment, would be the ordinary period of efficiency for an able-bodied man that entered one of these mills?

Mr. MCARDLE. At the present time?

Mr. BEALL. At any time that you had knowledge of.

Mr. MCARDLE. Under the old régime—the system for a long number of years—this work was regulated by an output; that is, a fixed tonnage per turn.

Mr. YOUNG. By "turn" you mean a working day?

Mr. MCARDLE. Yes; a turn would be eight hours—three shifts. The system was to work 11 eight-hour shifts per week. The day turn would work six and the middle and last turns would work five each, and until six or seven years ago there was a limit of either the tons or the pounds, rather, or number of bars to be worked in that given period.

There was a gradual increase for a time of that amount of work, and then, finally, after a long insistence on the part of the manufacturers, the limit was thrown off and the men were expected to produce whatever they were able to produce or whatever the machinery would permit. Being paid, of course, on the tonnage basis there was that incentive also to larger earnings.

As a result of that, I take it, it would be conservative to say that the output has been increased from 75 to 100 per cent, with the same piece of machinery, with the possible exception that the machinery had been strengthened; but the character of machinery, aside from that, and the method of operation remained unchanged.

Mr. BEALL. I do not know whether you exactly caught the point of my question or not.

It occurred to me that, in performing that character of work, there was, necessarily, a very great strain upon the vitality of the men.

Take a man in his prime and let him engage in that sort of work, what, in your judgment, would be his period of efficiency as a workman?

Mr. MCARDLE. If I were to say now that a man was to go into the tin mills——

Mr. BEALL. As a human working machine, I mean; what, in your judgment, would be his period of efficiency?

Mr. MCARDLE. If I were to say that a young man in ordinary robust health and of ordinary physique were to go into a tin mill or sheet mill to-day at 25, and be steadily employed according to the

prevailing practice, he would be unfit for the work at 40 or 42 years of age.

Mr. BEALL. The period of efficiency is from 15 to 17 years, then?

Mr. GARDNER. What would happen to him then?

Mr. MCARDLE. What would happen?

Mr. GARDNER. Yes; what would happen to him?

Mr. MCARDLE. I do not know what would happen to him, except——

Mr. GARDNER. What does happen to him?

Mr. MCARDLE. I think he would have to get out of that trade.

Mr. GARDNER. That is, he would not, by that time, have had a chance for promotion into some easier kind of work, some less arduous kind of work? He would not have acquired more skill?

Mr. MCARDLE. I am assuming, Mr. Gardner, that he would in that time, of course, run the gamut of promotion in that particular line of business. He ought to.

Mr. GARDNER. As a matter of fact, how old a man did you ever know under those conditions?

Mr. MCARDLE. Oh, I have known men past 60.

Mr. GARDNER. Those were in the business when there was a limited output?

Mr. MCARDLE. Yes, sir. There may possibly be some of them hanging on yet that are that old; but where they do, I think it would probably be found that, unless he was an extraordinary man, he is either splitting up on a job with some one else or helping some one else; that is, that he is not doing what is ordinarily regarded as one man's labor.

Mr. YOUNG. I understand this work is very rapid.

Mr. MCARDLE. Yes, sir.

Mr. BARTLETT. Did you ever investigate, or do you know, the portion labor gets out of any particular unit of production, taking a ton of this sheet iron, for example?

Mr. MCARDLE. No, sir; I never went into that.

Mr. BARTLETT. You do not know?

Mr. MCARDLE. No.

The CHAIRMAN. How many tons will those machines produce in a day? You spoke of going there on a tonnage basis?

Mr. MCARDLE. That varies very largely.

The CHAIRMAN. I mean the average machine?

Mr. REED. That depends on the gauge, does it not?

Mr. MCARDLE. Yes. It goes by gauge, you know; and a small tonnage might represent much more labor and physical exertion than a larger tonnage, depending entirely upon the——

The CHAIRMAN (interposing). Depending upon the thickness of the plate?

Mr. MCARDLE. Yes; and the kind of mill it is worked in.

Mr. YOUNG. Does not the rate per ton vary with those different conditions?

Mr. MCARDLE. Yes, sir.

The CHAIRMAN. That is all Mr. McArdle. Thank you.

We will take our recess at this point.

Whereupon, at 1 o'clock and 5 minutes, the committee took a recess until 2.30 o'clock p. m.

ADDENDA TO STATEMENT OF P. J. McARDLE.

EXHIBIT 1.

A STATEMENT AND AFFIDAVIT BY LLEWELLYN LEWIS.

Several organizers for the Amalgamated Association of Iron, Steel, and Tin Workers went to Vandergrift, Pa., about July 1, 1909, leaving Mr. George Evans, William Hilton, and George Bender there, while I went to Pittsburgh in the interest of the organization. I returned to Vandergrift Friday, July 9. In going up on the train I met Mr. A. Jenkins and Forney James, organizers of the United Mine Workers of America, who informed me that they were going to Vandergrift, as they were going to see some of the men working in the mines in that vicinity, inviting me to go with them, as they knew some of the men employed in the mills. We arrived in Vandergrift, Pa., about noon July 9, made inquiries regarding persons working in the mill, and were directed to Vandergrift Heights. We went there at once and found the men were anxious to organize.

Mr. Jones and I remained there about one and a half hours, and the men requested that we return that evening about 6.30 p. m. and they would have a list of names for us. I reported the matter to the other organizers and it was agreed to meet the men in Vandergrift Heights. Mr. George Bender, William Hilton, George Evans, and I went to Vandergrift Heights as agreed. On arriving there we learned that the men who we had talked to had been threatened with discharge and the men were uneasy, so we decided to leave until everything was in better condition for the men to talk. We were returning to Vandergrift, Pa., when Lebanna Steele and Mr. Dunn, who were watchmen and a minor bossing job, led a mob attacking us. I tried to point out to them that we were there for the purpose of discussing the question of organization, when I was struck alongside of the head with a broom handle in the hands of Steele, Mr. Dunn smashing my glasses at the same time. A number of others assaulted us. One of the men in the mob struck at Mr. Hilton with a knife. We were then taken down through the principal streets of Vandergrift by Mr. Steele and Dunn and the mob following. We were then placed on a train with a warning never to return. And up to the present time it is unsafe to enter the town, as you are in danger of being attacked at any moment. We have failed to secure a hall or a vacant lot to hold a meeting because the property owners are afraid the American Sheet & Tin Plate Co. will make it so unpleasant that they will be compelled to leave the community.

LLEWELLYN LEWIS.

STATE OF PENNSYLVANIA, *County of Allegheny, ss:*

Before me, the subscriber, a notary public of the State and county aforesaid, personally appeared Llewellyn Lewis, the deponent named in the statement on the opposite side of this page, who, being duly sworn according to law, doth depose and say that the facts set forth in the foregoing statement are true, to the best of his knowledge and belief.

Sworn and subscribed this 29th day of December, A. D. 1909, before me.

[SEAL.] EVA A. MILNE,
Notary Public.

EXHIBIT 2.

AFFIDAVIT OF ROBERT EDWARDS.

STATE OF PENNSYLVANIA, *County of Allegheny, ss:*

Before me, a notary public in and for said county and State, personally appeared Robert Edwards, of Martins Ferry, State of Ohio, who, being duly sworn by me, deposeth and says: That on July 3, 1909, he was engaged as an organizer for the Amalgamated Association of Iron, Steel, and Tin Workers of

North America, and was sent by said organization to Vandergrift and Apollo, in the State of Pennsylvania; and that while serving in that capacity on or about July 22 he was engaged in the distribution of circulars among the mill men in the borough of Vandergrift, and while so engaged he was on the afternoon of that day accosted on the streets of Vandergrift by one Jack McIntyre, who was then employed as a boss or foreman in the galvanizing department of the Vandergrift mills of the American Sheet & Tin Plate Co.; that McIntyre, with 8 or 10 men to deponent unknown, asked him what his business was, and when told and given copies of the circulars that deponent was distributing, McIntyre told him that he was not wanted in that locality and he must leave town; that McIntyre and those who were in company with him encircled him and ordered him to go to the depot and leave on the next train; that while on his way to the depot he eluded the crowd and sought refuge in the post office until the train left town. When he came out of the post office he was again approached by McIntyre and told that he must leave town and not return, and that if he did return he would be taken out in a box.

Deponent further says that he had arranged for a public meeting to be held on a vacant lot rented by him for that purpose in the borough of Apollo on the evening of July 31, 1909; that a day prior to that time Mr. Cochran, from whom the lot had been rented, came to William Edwards, one of the organizers, who had acted as the representative of Robert Edwards, and asked him to surrender the receipt and allow him (Cochran) to return the money paid for it, giving as his reasons that if he permitted the property to be used for a labor meeting that his business interests in the community would be ruined. The request was refused and the meeting held under the protection of John Kennedy, chief of police of the borough of Apollo, after advising deponent to go to the meeting prepared for trouble.

After the adjournment of the meeting, at or about 7.15 o'clock p. m., he, in company with William Edwards, David Watkins, Reese Jones, John Edwards, and four others, returned to the Parks Hotel, where they were registered guests; that at or about 8.30 o'clock p. m. Oscar Lindquist, superintendent of the Vandergrift works of the American Sheet & Tin Plate Co., called at the hotel and asked for an interview with him; that he, together with William Edwards and David Watkins, went to a room with Lindquist, who asked them what their business was. On being told, Lindquist said that they were not wanted there and that they would have to leave. Deponent claimed that they were exercising their rights as American citizens as guaranteed to them by law. That Lindquist then replied that his word was law; that he was the Scottish chief in that valley, and that what he said must go. That Lindquist told Edwards and his companions that he would give them one hour to get out of town, and that if they failed to do so he would get them out if he had to burn the hotel down. That while this interview was taking place a crowd had assembled on the street outside the hotel, upward of 200 people being present; that the crowd remained about the hotel until about 12 o'clock midnight, when Burgess Steele, of Apollo, came to the hotel and told them that his—the burgess's—power was gone and that he could not control the crowd any longer, and that they could only be appeased by the promise that the organizers would leave town the following morning, and that was the only way by which he could avert bloodshed; that the promise was given the burgess, and that he, the burgess, in company with another man, returned to the hotel on the following morning to see that the organizers would leave on the first train.

Deponent further says that the borough of Apollo is situated a distance of about 2 miles from the borough of Vandergrift; that they are in different counties; that Oscar Lindquist resided then in the borough of Vandergrift; that a large number of the men who composed the crowd that congregated about the Parks Hotel were also residents of the boroughs other than Apollo.

Witness my hand and seal this 29th day of December, A. D. 1909.

ROBERT EDWARDS. [SEAL.]

Sworn to and subscribed before me this 29th day of December, A. D. 1909.

[SEAL.] EVA A. MILNE, *Notary Public.*

My appointment dated April 28, 1909. My commission expires end next session of the senate.

EXHIBIT 3.

STATEMENT OF J. D. PIERCE.

PARKS HOTEL, APOLLO, *December 28, 1909.*

SAM GOMPERS, *President.*

DEAR SIR AND BROTHER: Yours, with editorial inclosed, received; and in reply would say that if the Chicago Inter-Ocean or anyone else wishes to know whether free speech and free assembly are denied the men employed by the Steel Trust, they have only to pay a visit to what is known as the Kiski Valley, where the American Sheet & Tin Plate Co. has mills located in the boroughs of Leechburg, Hyde Park, and Vandergrift.

In the early part of last July men representing the organization of Sheet and Tin Plate Workers came to Vandergrift for the purpose of meeting the men employed in the mill at that place. When it became known to the company officials what these men represented they were assaulted on the public street and driven from the borough by hirelings of the trust.

These men then came to Apollo and secured accommodations at the Parks Hotel. When the company learned of this fact their representative got the business men of Apollo to sign a petition calling upon the burgess to force these union men to leave. The burgess was willing to carry out the wishes of the trust officials, but the men stood upon their constitutional rights and refused to go. The trust officials then took steps to prevent the union men from getting any place where they might meet the men working in the mills and talk with them. The union representatives did succeed in procuring a vacant lot here in Apollo for two weeks and paid the rent for the same. When it became known to the trust officials they immediately took steps to try and have the lot taken away from us and prevent any meeting being held. By threats and coercion they forced the gentleman who owned the lot to attempt to return the money he had received for the rental of the lot and prevent any meetings being held. This the owner tried to do, but the union men refused to give up the lot and went ahead planning the meetings. First meeting was held on July 30, 1909. The burgess said repeatedly that he was informed that if the meeting was held, the trust officials would break it up and cause a riot if necessary.

The meeting was held and, although an attempt was made to interfere, nothing serious occurred until after the meeting was over and the union men had returned to the Parks Hotel.

About 8 o'clock that night Mr. Oscar Lindquist, an official in the trust mill at Vandergrift, appeared in front of the hotel in an automobile, heading a mob of about 400 people. Mr. Lindquist came into the hotel and, calling the proprietor to one side, made a demand upon him that he immediately turn the union men out of his house, and when the proprietor refused, threatened that he would lead the mob and take them out by force and destroy the hotel, and publicly declared he was the law in this valley and was backed by the United States Steel Trust.

The proprietor again refused his request, and told Mr. Lindquist the men were his guests and he proposed to protect them, if possible, against violence.

Mr. Lindquist then approached the chief of police, John Kennedy, and openly offered him money if he would leave the place for half an hour. This offer was also refused, and Mr. Lindquist was told by Mr. Kennedy that he would do everything in his power to keep the peace. After two or three hours of demonstrations and all kinds of threats, and finding that the people refused to be bullied by him or his mob, Mr. Lindquist and his thugs withdrew.

At that time there were four employees of the Vandergrift mill boarding at the Parks Hotel. Mr. Lindquist immediately notified them that they must leave that hotel or leave their jobs; result, the men had to leave.

Further orders were issued by Mr. Lindquist that if any employee was caught talking or in any way associating with the union men their jobs would be up, and several men did lose their positions for exercising their right to speak to whom they pleased.

Our time on the lot having expired and the owner refusing to allow us the use of it any more, no matter what we were willing to pay, we sought other quarters and quickly learned that the trust officials had been busy and tried to prevent us from securing any place where meetings might be held.

We eventually found a man whom the trust did not own, and one they could not frighten, and he rented the union a room. Mr. Lindquist tried to reach this man and buy him off, and when he did not succeed issued orders again

that any employee entering the union hall would be discharged, and surrounded the building with his spies. As near as we could learn, about 30 men lost their jobs for exercising their right to spend their time outside of the mill where and with whom they pleased.

Wives of some of the millmen were interested in the union meetings, and, as their husbands could not attend without losing their jobs, the wives came to the meetings. They were reported by the spies to Mr. Lindquist, and the husbands were called into the office and told their wives must not attend the labor meetings or the husbands would lose their jobs. The men did lose their jobs, because their wives exercised the right to go where they pleased.

We succeeded in hiring a room at Leechburg, paid a month's rent, and were given possession of the key. Two of the union men went to Leechburg to put up notices of a meeting to be held on the following Wednesday evening. While tacking the notices up they were approached by a trust official and told they could have no meetings in Leechburg. The men finished their work and locked the door. On Wednesday evening we returned to hold our meetings and found our notices and other property on the outside and the door locked and barred against us.

We found the proprietor, who runs a fruit store, and asked for an explanation. He stated "that he had been told that if he allowed us the use of his room for the purpose of holding a labor meeting, that his business would be ruined." We never obtained possession of the room, and had to convict the proprietor of breaking and entering before we forced a settlement, the trust showing that they could force men to commit a crime in order to prevent a labor meeting, interfering with free speech and free assembly.

When we could not get the use of our hall at Leechburg, we held our meeting on the street corner and promised the people we would be with them again Friday night of that week. When we returned on Friday night we were met by the burgess and chairman of the council and notified that a special meeting of the council had been held on Thursday night and an ordinance passed prohibiting open-air meetings without a permit from the burgess, paying a dollar for the same, permit to state for what purpose the meeting was to be held and what was to be said, and when we applied for a permit we were denied. Trust again showed its power to compel the borough officials to prevent free speech and free assembly. We succeeded, however, in procuring Odd Fellows' Hall, and held our meeting there and arranged with the janitor for two nights a week.

Mr. Oscar Lindquist is a member of that lodge of Odd Fellows, and at a special meeting held on Saturday night the janitor was given a severe lacing for daring to allow a labor meeting to be held in the hall and warned not to commit such an offense again, and from that time to the present all avenues have been closed in Leechburg against labor meetings.

A minister at Leechburg, by the name of Rev. C. Johnson, having heard of the trouble we were having with the trust, asked permission to speak at our hall in Apollo. We arranged a meeting for him, and he handled the trust and borough council without gloves for their interference with free speech and free assembly. After he had closed, by request, he was asked to speak again and accepted the invitation. The minister has a brother-in-law who works as heater in the Leechburg mill, and when the officials learned that the minister had spoken at our meeting the brother-in-law was notified that if the minister spoke at another labor meeting, he, the brother-in-law, would lose his job. We have not seen the minister since.

Labor Day coming on, arrangements were started to celebrate the day by having a parade at Vandergrift and a meeting to follow. This being a legal holiday, and having been invited by the union molders at Vandergrift to join with them in celebrating the day, we felt no one would interfere.

The burgess and members of the council in that borough are employees of the trust, and a few days before Labor Day the borough was placarded with a proclamation from the burgess stating that at a meeting of the council an ordinance had been passed prohibiting meetings or parades of any description from being held upon either public or private property until such time as the council saw fit to change the ordinance.

That proclamation prohibits a citizen of Vandergrift from inviting friends to meet them in his own home. Is there any interference there with free speech and free assembly?

We have never been able, up to the present time, to obtain a place in Vandergrift where a labor meeting could be held. People tell us frankly that they are afraid to let us have a place.

The first Saturday night we held our meeting in our hall at Apollo a number of trust thugs appeared in the meeting and tried to break it up, and physical force had to be used to eject them from the hall. The trust in this valley not only prevents free speech and free assembly, but denies their employees the right of forming their own associates, tells their wives with whom and where they shall go, dictates where they shall board, and above all must not associate with union men or become members of a labor union.

Hoping this has covered the points you requested, I remain,

Yours, fraternally,

J. D. PIERCE,
General Organizer, A. F. of L.

EXHIBIT 4.

STATEMENT OF ALBERT UNCAFER, T. J. PARKS, AND JOHN KENNEDY.

PARKS HOTEL, APOLLO, PA., *December 28, 1909.*

To whom it may concern:

Having read the statement of J. D. Pierce as regards conditions which now and in the past exist in this valley, I can truthfully say that they are the truth in every particular.

ALBERT UNCAFER.

PARKS HOTEL, APOLLO, PA., *December 28, 1909.*

To whom it may concern:

Having read the statement of J. D. Pierce as to conditions existing in the past and at present in this valley, I wish to state that they are absoluely true.

Being proprietor of the Parks Hotel, I can verify everything said and can add the following to the same:

That on Sunday morning, July 31, the day after the mob led by Mr. Lindquist appeared at my hotel, the burgess, Mr. Steele, together with his brother and the superintendent of the trust mill at Saltsburg, Pa., A. L. Hammit, appeared at the hotel, and the burgess again ordered the union men to leave, the trust official offering them any amount of money they might name if they would go.

The burgess made it so strong that the union men decided it wise to leave for a few days until the excitement died down, and after refusing any assistance from the trust officials left my hotel and took the train out of Apollo.

T. J. PARKS.

PARKS HOTEL, APOLLO, PA., *December 28, 1909.*

To whom it may concern:

Having read the statement of J. P. Pierce, can truthfully say that his statement as regards what occurred on the night of July 30 at the Parks Hotel is correct.

JOHN KENNEDY,
Chief of Police of Apollo, Pa.

EXHIBIT 5.

STATEMENT OF H. V. ASHBAUGH.

LEECHBURG, PA., *September 6, 1909.*

ARTHUR E. HOLDER, *Apollo, Pa.*

DEAR SIR: When meeting the other trustees I. O. O. F., Saturday evening, I came up against it badly, and could do nothing in the way of permitting any future labor meeting in the I. O. O. F. Hall; so I suppose this chapter is ended.

Yours, respectfully,

H. V. ASHBAUGH,
Secretary and Trustee I. O. O. F., No. 651.

EXHIBIT 6.

PROCLAMATION.

After congratulating the people of Vandergrift and the adjoining boroughs on the measure of peace and prosperity which now pervades the community, I know that I voice the sentiment of all good people in saying that we would deplore anything that would mar the peace and harmony which now pervades the entire community, and this is particularly so as regards Vandergrift Borough. It is, therefore, a matter of regret that outside influences seem to be at work, the accomplishment of which would only tend to disturb the peace and order of the borough of Vandergrift. I refer to marches, parades, meetings, and demonstrations by persons, mostly nonresidents, and which could have no other effect than to engender ill feeling among our citizens and neighbors.

As the corporate officer of the Borough of Vandergrift, Pa., charged with the maintenance and peace of the borough, I can not tolerate or permit any such conditions to exist.

Now, know ye, that I, James H. Chambers, burgess of the Borough of Vandergrift, Pa., by and under authority and power in me vested by law, do hereby (until such time as may seem more expedient) forbid the assembling of persons in large crowds upon the streets, alleys, highways, or private properties, and all marches, parades, public meetings, or any other public demonstrations within the borough limits, and all persons are commanded to follow their usual avocations in their usual quiet way.

Given under my hand and seal this 31st day of August, 1909.

[SEAL.] JAMES H. CHAMBERS, *Burgess.*

EXHIBIT 7.

STATEMENT OF MESSRS. COSTIN, HEITCHUL, HILEMAN, AND GALLAGHER.

PARK'S HOTEL, APOLLO, PA., *December 28, 1909.*

To whom it may concern:

This is to certify that we, the undersigned, do know that the trust officials not only try to prevent their employees from attending union meetings or associating with union men, but that they also requested the management of the United Engineering Co. plant in Vandergrift to try and prevent their employees from doing the same.

F. COSTIN.
E. L. HEITCHUL.
B. N. HILEMAN.
JAS. GALLAGHER.

SUPPLEMENT TO EXHIBIT 7.

JANUARY 19, 1910.

Mr. SAMUEL GOMPERS,
President American Federation of Labor,
Ouray Building, Washington, D. C.

DEAR SIR AND BROTHER: Referring further to the documentary evidence entitled "Interference and suppression of free speech and free assemblage by the United States Steel Co." submitted to you, there was a doubt in the mind of my colleague, Mr. J. D. Pierce, as to the authenticity of the statement made under subtitle "Boycott threatened." I was confident, when compiling this statement, that Mr. William C. Littlewood, chairman of the Molders' Union No. 46 shop committee, in the employ of the United Engineering Co. at Vandergrift, Pa., informed me as to the statement in the above-indicated document under the specific subtitle, but in order to be more confident and to have the statement verified, I wrote him under date of January 8, in part, as follows:

"Will you kindly, at your earliest convenience, give me the substance of the conversation between yourself, your committee, and the management of the United Engineering Co. at the time that you were discussing among yourselves

the matters that we were all interested in? What did the management say to you concerning the probable loss of business that might occur to the United Engineering Co. if the molders continued to encourage the agitation we were maintaining?"

[misprint] and Foundry Co. pertaining to the matters of which you speak, I but very significant statement in his favor of January 16, 1910:

"In regard to the conversation that took place between the committee of which I was a member and the management of the United Engineering & Foundry Co. pertaining to the matters of which you speak, I beg to say, after looking at the question from all sides, taking into consideration my duty to my fellow workers and to my organization, I can not see my way clear to put same in black and white, especially when such action might complicate an already strained situation, and I can assure you from long residence and association that trade unionism has too precarious a hold in this valley to take any chances of a struggle unnecessarily, especially when such might mean the total oblivion of organization in the Kiskiminetas Valley, but could I for a moment believe that such action would enhance the chances and prospects for the salvation of this black valley I would with pleasure do all that you ask, regardless of consequences to myself. Trusting that you will view the situation, after this explanation, as I do, and that you will regard me as none the less friendly toward yourself and the cause for this refusal, * * *."

I believe that this reply from Mr. Littlewood corroborates the statement contained in the subtitle "Boycott threatened."

Yours, very truly,

ARTHUR E. HOLDER,
Organizer American Federation of Labor.

EXHIBIT 8.

[From the Labor Leader, Lancaster, Pa., October 16, 1909.]

IN THE DARK KISKI—SHAMEFUL CONDITIONS IN THE KEYSTONE STATE—A SITUATION THAT SHOULD BE KNOWN TO EVERY CITIZEN OF PENNSYLVANIA—LAWLESS ACTS OF THE STEEL TRUST AND ITS TOOLS.

EDITOR LABOR LEADER, *Lancaster, Pa.:*

During the last three months a series of indignities and impositions have been practiced upon the citizens in the mill towns of the Allegheny and Kiskiminetas Valleys and the work people employed in the sheet and tin-plate mills of the American Sheet & Tin Plate Co. that should be a matter of record: First, in order that the history should be remembered; second, in order to present these collated facts to the attention of the governor, State department of justice, and the next general assembly in the great State of Pennsylvania; and third, in order that the people of this great State may become familiar with the seriousness of the situation and finally arouse themselves sufficiently to say with emphasis that equal rights belong to all the people and not to a few who have the audacity to set aside all the fundamental rights of the many for pecuniary gain to themselves.

In June of this year (1909) the United States Steel Corporation issued an ultimatum through its subsidiary company—the American Sheet & Tin Plate Co.—that "all of its sheet and tin-plate mills would be operated as open shops (nonunion) on and after July 1, 1909, and that the scale of prices to the workers in the mills would obtain till further notice."

Up to July 1, 1909, about 60 per cent of the sheet tin plate production in the United States trust mills had been made by union men—members of the Amalgamated Association of Iron, Steel, and Tin Workers—and the scale of prices was annually arranged by the conciliatory methods of collective bargaining between representatives of the union men and the managers of the trust mills.

This scale of prices also made suitable provision for such sheets and plates that were defective and that would not meet the anticipated or intended sizes ordered, but that would meet standard quality in smaller sizes after proper cutting or shearing; the technical term of this substitution of smaller sheets or plates for larger ones is known as cut downs, and the union men were protected by a proportionate scale for this defective work. In short, they were paid for what work they produced.

In the so-called open mills of the trust, which were actually all nonunion, and in which no member of any labor organization was tolerated, the production equaled about 40 per cent of the total output. The scale of prices averaged 30 per cent less than in the union mills. There was no allowance whatever for defective sheets or "cut-downs," every bit of which was termed scrap, and the company virtually obtained its smaller-sized sheets and plates for nothing, as it never gave any orders to its nonunion men for small sizes, getting all of such sizes from the spoiled, or alleged spoiled, large sheets. Such a system was and is nothing short of barefaced robbery.

When the trust issued its ultimatum not to recognize the amalgamated association it also arbitrarily posted the reduced price of 30 per cent—or the nonunion scale with no pay for "cut-downs"—as the scale it would pay, "until further notice," thus giving no assurance that even the reduced rate, with its barefaced-robbery combination, could be depended upon for any definite length of time, but was still dependable on the will of the trust and subject to other reductions at any and all times, whenever it so decreed.

Since 1894 the sheet and tin plate mills in the Kiski Valley have been black, or nonunion, hence the peculiar expression "the dark Kiski Valley," and yet the sun shines as brightly, the rain falls as copiously, the crops grow as luxuriantly, and the birds sing as sweet in the Kiski as in the other beautiful valleys of this richly endowed State.

It has been the proud boast of trust autocrats that "No d——d labor agitators could visit the Kiski, stop over night, and go out alive," and that "they had not permitted any of the 'D. L. A.' to visit the region for 15 years."

If a visitor from Mars tarried in the Kiski after associating with average Americans in other sections, he would most probably say, "It is almost time some 'D. L. A.' paid a visit, or some other kind of agitator stopped long enough to awake the residents from their Rip Van Winkle siesta."

"Whom the gods wish to destroy they first make mad," was the way some prosaic Greek once voiced his indignation. It was true then, it is true now, and the great bully among trust pirates, for courtesy called the "United States Steal," has surely "been made mad;" it has ridden rough shod over American investors and buncoed them with its watered stock; it held up bluff old Jim Hill with his valuable unearned increment in virgin ore lands in Minnesota, Michigan, and Wisconsin; it robs the railroad directors and the general public through the iniquitous tariff schedules and dubs it protection to labor; it bribes, bullies, and defies Congressmen and Senators; it saves its pennies and buys judges to render decisions in its favor; it hornswoggled the strenuous Teddy into bluffing him to grant immunity from the operations of the Sherman antitrust law, when, for an excuse to prevent Teddy's panic from becoming worse, it gobbled up its only real competitor, the Tennessee Coal & Iron Co. Surely, with so much success, and after running amuck so long, it would have been a greater surprise if the gods had allowed this tyrannical buccaneer to remain sane, but the gods can be depended upon to attend to their business, and they made Mr. Steel Trust mad—hopping mad.

Its next decree was against organized labor, and on this rock it will meet its doom; for is it not decreed that only fools and lunatics have the temerity to tackle this young giant, the valiant defender of freedom and equal rights?

The open shop (nonunion) ultimatum of the trust brought the labor organizers back into the dark Kiski Valley, and the trust became exceedingly wroth and indignant.

When the organizers first visited Vandergrift in July of this year they were summarily ordered out of town. They appealed to the law, and claimed defense under the Constitution—but what is the Constitution among friends? They were told in an insolent way to go to hell; that the managers of the trust at Vandergrift were the law—judge, jury, and executioners, and no such d——d nonsense as free speech, free assemblage, or free solicitation would be tolerated in or around the dark old Kiski.

Five of the organizers were driven so hard they waded and swam the Kiski to get out. On July 12 Mr. Llewellyn Lewis was most brutally assaulted while on his way to the depot. The organizers then tried to get a foothold in Apollo, 3 miles from Vandergrift; they were unable to rent a hall, because all the owners were intimidated by the trust, but they leased a lot for a week and advertised a meeting, at which the popular orator and philanthropist, Raymond Robins, of Chicago, would speak on July 31. The meeting was held in spite

of trust rowdies interfering, and the organizers returned to their hotel, the Parks House, at Apollo.

As soon as it became dark, a little after 8 p. m., a crowd of 500 men from Vandergrift, in Westmoreland County, crossed the Kiski and invaded Apollo, Armstrong County.

They were led by Oscar Lindquist, the manager of the trust, who incidentally is a big, illiterate Swede, and styles himself "the Scottish Chief of the Black Kiski Valley."

Lindquist drew his mob up before the Parks Hotel, and he swaggered in, demanding that the proprietor deliver up to him the organizers of the American Federation of Labor and the Amalgamated Association. The proprietor refused to do any delivering, but said he would protect his guests. The threat was then made that if the organizers were not out of the hotel within an hour the hotel would be destroyed, and his "black chiefship" made a substantial offer of money to the peace officer to withdraw from the scene and out of sight—"for only one hour," but the peace officer did not withdraw, neither did the organizers, but "Oscar," like the "Noble Duke of York," marched his little army back again. The trust was staggered with such audacity and became so alarmed at the popular uproar that it told Oscar not to behave so coarsely any more, but the fact remained that the spell had been broken, and after 15 years' absence labor organizers were back in the Kiski Valley to bring back the light of truth and liberty.

Between July 31 and August 31 many meetings were held at Apollo in an old pool room, now called Liberty Hall, and many mill men were intimidated by the company from attending, because some who dared were instantly discharged, others were threatened with discharge if they did not change boarding houses where the organizers stopped, and a reign of terror was instantly established.

Arrangements were made to celebrate Labor Day at Vandergrift, but the burgess (who is an understudy in the mill office) issued a proclamation, ordering the people to work on that holiday, set apart by the State and Nation, and "forbade anyone from parading or congregating on the streets or alleys, or on public or private property," thus arbitrarily exceeding powers and authority not conceded to belong to judges on the Federal bench.

At Leechburg a hall was legally rented and a meeting advertised on September 3; the trust saw the landlord, and the landlord repudiated his contract, barred the doors and threw the organizers' property into the streets, compelling the meeting to be held on the streets. Now, Mr. Landlord is held under bond of $500 to answer the charge of breaking and entering and breach of contract; he smiles confidently and is depending on the trust's treasury to defend him. On the next day, September 4, the trust saw the Leechburg city council and ordered it to draft an ordinance to prevent free speech in the streets of Leechburg. The city council promptly obeyed, most of its members being puppets in the employ of the trust.

In September 16 a free Methodist preacher spoke at the labor meeting at Apollo, and on the 17th his relatives and associate church members were practically threatened by the trust if the pastor dared to repeat the heresy.

On September 16 two men were abusively discharged because their wives dared to attend the labor meetings when they did not have the courage to go themselves.

On September 25 the military band of Vandergrift, a small number of young men, rehearsed in a hall and then marched through the streets to the baseball park; they were arrested and charged with violation of the burgess' proclamation and fined $5 for marching through the streets, and so the power of the trust goes marching along and displays its madness by every new assinine act.

The time has now come to ask the people of Pennsylvania and its officials: What do you think of it? What are you going to do about it? When will it be your turn?

We labor organizers will continue to defy the trusts and refuse to rest until freedom of speech, freedom of assemblage, is restored to the "dark Kiski Valley" and the people who live there will dare to live and act like genuine free American citizens instead of serfs in a feudalistic age.

Respectfully,

ARTHUR E. HOLDER,
General Organizer A. F. of L.

APPOLO, PA., *October 4, 1909.*

SUPPLEMENT TO EXHIBIT 8.

STATEMENT AND AFFIDAVIT OF D. P. BOYER.

APPOLO, PA., *November 22, 1909.*

To the officers of the American Federation of Labor.

GENTLEMEN: I feel that I can offer something that will give your honorable body some idea of the condition of things in the mills at Vandergrift. I have been working for the American Sheet & Tin Mills in Vandergrift, Hyde Park, Leechburg, and the old Appolo mill, in the capacity of shearman for 10 years, and they found no fault with my work. When working at Hyde Park, September 9–10, 1908, I worked as shearman, and after paying my help I was in debt 5 cents for the two days.

When the A. F. of L. opened its meeting in Apollo, the men of the mills were forbidden to go to those meetings, but, however, my wife and my sister-in-law went, and because of this me and my brother-in-law were discharged. We were reported by a man that works for the steel company. This man is my neighbor. He and his wife watched the meetings of the Federation, and then he would carry the report to the mills.

If there are any notes or figures wanted to back this up, I can furnish them.

When I was discharged, on September 16, 1909, there was no fault to find, only that I would not promise to keep my family away from the meetings of the Federation of Labor. This I would not do, and so I got my time.

D. P. BOYER.

STATE OF PENNSYLVANIA, *County of Armstrong, ss:*

Before me, a notary public in and for said county and State, personally appeared D. P. Boyer, who, being duly sworn, says that the foregoing statements are true to the best of his knowledge and belief.

D. P. BOYER.

Sworn to and subscribed this 22d day of November, 1909.

[SEAL.] MARY W. HENRY, *Notary Public.*

Commission expires January 16, 1913.

EXHIBIT 9.

EXTRACT FROM LETTER FROM P. J. M'ARDLE.

Extract from letter from Mr. P. J. McArdle, president of the Amalgamated Association of Iron, Steel, and Tin Workers, House Building, Pittsburgh, Pa., under date of December 28, 1909:

At Cambridge, Ohio, the men in the mill, after having refused to join in the strike (during July and August, 1909), were forbidden by the management to converse with other fellow employees while at work, as had been their usual custom, and were further warned to stay off the streets and remain at home while not on duty at the mill. This latter for the purpose of keeping them from coming into contact with representatives of the Amalgamated Association, who were then stationed at Cambridge.

AFTER RECESS.

The committee resumed its session at 2.30 o'clock p. m., Hon. Augustus O. Stanley (chairman) presiding.

STATEMENT OF J. J. HILL.

The witness was duly sworn by the chairman.

The CHAIRMAN. Mr. Hill, you were a party to the lease between the United States Steel Corporation and what is known as the Hill ore lands, made a short time after the organization of the United States Steel Corporation?

Mr. HILL. I was not a party to the lease. I carried on the early negotiations, but the closing negotiations and the making of the lease was made entirely outside of myself.

The CHAIRMAN. It was made by whom?

Mr. HILL. The trustees.

The CHAIRMAN. By the trustees?

Mr. HILL. Yes.

The CHAIRMAN. Who were the trustees?

Mr. HILL. The trustees were J. N. Hill, L. W. Hill, W. J. Hill, and E. T. Nichols.

The CHAIRMAN. Among the Hills mentioned there, J. J. Hill was not one of the trustees?

Mr. HILL. No, sir.

The CHAIRMAN. These gentlemen that you have named were your sons?

Mr. HILL. Three sons; yes, sir.

The CHAIRMAN. They were the trustees of what?

Mr. HILL. The trustees of the property leased to the steel company, and additional property that I had acquired.

The CHAIRMAN. What properties were they?

Mr. HILL. They were trustees for the iron-ore properties which I had acquired on the Mesabi Range, some of which were leased to the steel company and some were leased to outside companies.

The CHAIRMAN. What properties had you acquired, Mr. Hill, on the Mesabi Range?

Mr. HILL. The first was some property that came with a bankrupt railway that was started to be built from Lake Superior west.

The CHAIRMAN. What railway?

Mr. HILL. I think it was called the Duluth & Winnipeg, and it became bankrupt.

The CHAIRMAN. That Duluth & Winnipeg ran from the Mesabi Range down to a junction with the Great Northern, did it not?

Mr. HILL. It ran into Duluth and Lake Superior.

The CHAIRMAN. I mean into those places.

Mr. HILL. Its terminal was——

The CHAIRMAN (interposing). Its terminal was in what place?

Mr. HILL. On the lake.

The CHAIRMAN. The Duluth & Winnipeg Railroad was one continuous line running from the Mesabi Range to Superior?

Mr. HILL. It was intended to build it from the head of Lake Superior to Crookston, which was in the Red River Valley, about 260 miles west of the head of the lake. It built, I think, as far as a place called Deer River, some miles west of the Mesabi Range.

The CHAIRMAN. At the time you speak of did the Duluth & Winnipeg Railroad complete a physical connection on its own rails between Superior and Duluth and the Mesabi Range?

Mr. HILL. No, sir; it did not.

The CHAIRMAN. Where did it run?

Mr. HILL. It started to build to Crookston.

The CHAIRMAN. To Crookston?

Mr. HILL. Yes.

The CHAIRMAN. Where was that?

Mr. HILL. Crookston is in the Red River Valley, about 260 miles west of the head of Lake Superior.

The CHAIRMAN. How close did this road get to the Mesabi Range?

Mr. HILL. From what was known as the Mesabi Range at that time, I should think it got within 40 or 45 miles of it.

The CHAIRMAN. What relation was there between this railroad and this body of ore lands? How did they happen to throw in the ore lands with a railroad that did not touch the ore lands?

Mr. HILL. The parties who were instrumental in promoting the railway were interested or had in connection with it a lot of lands on the Mesabi Range called the North Star Iron Co. In the purchase of that Duluth & Winnipeg Railway the North Star Co.'s lands came with it—that is, something like 90 per cent of the stock of the company. This North Star Co. was an incorporated company.

The CHAIRMAN. And had lands on the Mesabi Range?

Mr. HILL. Yes, sir.

The CHAIRMAN. What was the extent of their holdings?

Mr. HILL. I could not say; about ten or twelve thousand acres.

The CHAIRMAN. At what time was this?

Mr. HILL. I think we got that property about 1896 or 1897.

The CHAIRMAN. 1896 or 1897?

Mr. HILL. Yes, sir. There was a rail connection between some of the mines and the Duluth & Winnipeg Road, owned by some Michigan lumbermen.

The CHAIRMAN. This North Star Co.—is that what it is called?

Mr. HILL. The North Star Co.

The CHAIRMAN. This North Star Co. had certain undeveloped lands on the Mesabi Range?

Mr. HILL. Yes, sir.

The CHAIRMAN. Had they ever been drilled?

Mr. HILL. I don't know that.

The CHAIRMAN. Have they ever been drilled since?

Mr. HILL. Some of them have.

The CHAIRMAN. Were some of them not drilled while under your control?

Mr. HILL. No, sir; I think not.

The CHAIRMAN. Were they turned over to the United States Steel Corporation with these other properties?

Mr. HILL. A portion of them was included in the lease.

The CHAIRMAN. In the lease?

Mr. HILL. Yes, sir.

The CHAIRMAN. What became of those that were not included in the lease?

Mr. HILL. The trustees held them.

The CHAIRMAN. To this day?

Mr. HILL. Yes, sir.

The CHAIRMAN. Free from the control of the Steel Corporation?

Mr. HILL. The trustees held about 90 per cent of the stock of the North Star Co. The rest is held by the original individuals, I think.

The CHAIRMAN. But I do not understand you. What I am trying to get at is what part of these lands owned by the North Star Co., which owned and controlled this bankrupt railroad, the Duluth & Winnipeg road, were turned over to the United States Steel Corporation—those ten or twelve thousand acres?

Mr. HILL. I could not say exactly. The lease would furnish that accurately.

The CHAIRMAN. I have that here. The lease would give me the number, the amount of the lands, and their location by sections and townships?

Mr. HILL. Yes, sir.

The CHAIRMAN. But I am not sufficiently familiar with the terms of the lease, or I am under the impression that the lease would not give me the previous owners of the land prior to the time you turned it over, or when the Hill interests turned it over.

What I want to know is, how much of the land of this company, of the North Star Co., in which you were interested, was turned over to the United States Steel Corporation.

Mr. HILL. I could not answer that question, because I do not know.

The CHAIRMAN. Do you know approximately?

Mr. HILL. It would be a mere guess. I might say, anywhere from three to five thousand acres.

The CHAIRMAN. And it was in an unimproved state at that time?

Mr. HILL. Yes, sir.

The CHAIRMAN. You had never put a drill in it?

Mr. HILL. Not that I know of.

The CHAIRMAN. Do you know anything about whether it has any ore under it or not?

Mr. HILL. Well, there were reports that some of it had, and some if it lay—a small portion—within the zone known as the ore belt.

The CHAIRMAN. Whatever of this three or five thousand acres the Steel Corporation got were taken under the terms of this lease, by which they were to pay 85 cents a ton, I believe?

Mr. HILL. $1.65.

The CHAIRMAN. $1.65 a ton?

Mr. HILL. Yes, sir.

The CHAIRMAN. For the ore?

Mr. HILL. And transportation.

The CHAIRMAN. $1.65 a ton and transportation?

Mr. HILL. No; that included the transportation and dockage.

The CHAIRMAN. That was for the first year it was transported?

Mr. HILL. Yes, sir.

The CHAIRMAN. And 4 per cent additional for each year thereafter? Is that right?

Mr. HILL. Three cents and four mills.

The CHAIRMAN. Three cents and four mills per ton?

Mr. HILL. Yes, sir.

The CHAIRMAN. For every ton, each succeeding year?

Mr. HILL. Each succeeding year. That $1.65 would be for all ore carrying 59 per cent metallic iron.

The CHAIRMAN. I see.

Mr. HILL. With a sliding scale. So much for each unit of iron above or below. That below would be deducted and anything above 59 would be added.

The CHAIRMAN. What amount was added per unit of iron?

Mr. HILL. The amount added?

The CHAIRMAN. Yes.

Mr. HILL. I think it was 4 cents and 8 mills, speaking from recollection.

The CHAIRMAN. At that rate, if you had found ore with 100 per cent iron—you never find such ore?

Mr. HILL. No.

The CHAIRMAN. It would have been $4.80 a ton?

Mr. HILL. No; if you found ore that carried 60, 4 cents and 8 mills would be added to the price of the 59.

The CHAIRMAN. I see. Four cents and eight mills would be added for each unit of iron above 59 per cent.

Mr. HILL. Yes, sir. It may be a small fraction, one way or the other, from 4 cents and 8 mills; but it is about that figure. Then, ore below 59 would be deducted at the rate of 4 cents and 8 mills.

The CHAIRMAN. Now, the Hill interests leased to the United States Steel Corporation practically how many tons of ore?

Mr. HILL. I think I can make it a little plainer.

The CHAIRMAN. How many did you contemplate you had?

Mr. HILL. I think I can make it a little plainer, by stating the way that we came to own that ore, just how we got it.

There was a railway belonging to Wright & Davis, Michigan lumbermen, which connected with the Duluth & Winnipeg. They owned somewhere in the neighborhood of 25,000 acres of land that was particularly well situated on the range.

One mine—possibly more than one, but one mine—opened on their land, and was a large shipper. That ore came down over the lumbermen's road to a connection with the road that we bought and finished through to the Red River Valley.

My son was in charge of the Eastern Minnesota, which was a subsidiary line owned by the Great Northern. He was very anxious that I should come up and look the ground over. He attached a great deal of importance to the transportation of the ore. He had met Mr. Wright and had an understanding with him that if they sold they would give us an opportunity to purchase it.

The CHAIRMAN. Who do you mean by "us," Mr. Hill?

Mr. HILL. Well, myself. I had never been up on the range. I went up and I saw this Mahoning mine. It is the largest mine probably on the range.

I told him to take it up with Messrs. Wright & Davis at any time he was ready and to see what he could do.

Shortly after, he got a communication from them that they were about to dispose of it to the Consolidated Co.

Mr. YOUNG. The Consolidated Mines Co.?

Mr. HILL. Yes, sir; and afterwards known as the Rockefeller Co. Of course if they bought it they would transport it over their own railway. There was very little business on that road for the first 160 miles outside of the ore.

Within a short time, by appointment, I met Wright and Davis in Chicago. Mr. Wright was quite an old man, and he was anxious to close out his entire interests on the Mesabe, the railroad and the ore lands. He also had some uncut pine. This was originally pine land. They bought it for that purpose.

Some of it they had disposed of and agreed to cut and deliver the logs to the Mississippi River at Swans River. He wanted me to purchase the whole outfit, including his contract. His contract was with Mr. Warehouser, or the Warehouser Co. Mr. Warehouser expressed his willingness that if I assumed the contract he would consent to the transfer.

In that way I bought the Wright & Davis property, about 25,000 acres.

My sons added to it by lease and purchase from time to time I should think somewhere in the neighborhood of 2,500 or 2,800 acres.

The CHAIRMAN. At the time you made this purchase from Wright & Davis, what mines were actively operating in all that 25,000 acres at that time?

Mr. HILL. The Mahoning mine.

The CHAIRMAN. That is, the Mahoning and the Hull Rust?

Mr. HILL. They are alongside. The Hull Rust is alongside the Mahoning.

The CHAIRMAN. It is all one vast opening, and it is only an imaginary line that separates them?

Mr. HILL. They are divided by the property line.

The CHAIRMAN. You can not tell with the naked eye what is Hull Rust and what Mahoning?

Mr. HILL. They are both opened now. There is a core, practically, that they cut out that is divided among themselves and they adjust the quantities.

The CHAIRMAN. What I was trying to get at was were both the Hull Rust and the Mahoning——

Mr. HILL (interposing). They are the same deposit.

The CHAIRMAN. Were both the Mahoning and the Hull Rust mines stripped at the time you made this purchase?

Mr. HILL. Hull Rust was not; there was nothing done. That was covered with stumps and some uncut pine, if I remember right.

The CHAIRMAN. Had it been drilled; had it been explored?

Mr. HILL. Not that I know of. I do not know whether the Mahoning was opened up practically to the boundary line.

The CHAIRMAN. What is the tonnage of that mine—of the Mahoning?

Mr. HILL. It is hard to say what the tonnage is in a mine under the ground.

The CHAIRMAN. It was drilled at that time, was it not?

Mr. HILL. Yes; but the drilling is approximate.

The CHAIRMAN. You know by the light of subsequent events. What is the estimated tonnage now?

Mr. HILL. The estimated tonnage, according to the Minnesota tax commission's report, I think is about 85,000,000 tons.

The CHAIRMAN. How many tons have been removed from that mine?

Mr. HILL. I do not know.

The CHAIRMAN. About 20,000,000, is it not?

Mr. HILL. I should not think quite 20,000,000; maybe there is.

The CHAIRMAN. At the time you acquired the Mahoning mine, did you acquire freehold to it—the fee to the mine?

Mr. HILL. Yes, sir.

The CHAIRMAN. Was it not under lease?

Mr. HILL. It was.

The CHAIRMAN. You acquired the fee subject to this lease, did you not?

Mr. HILL. Yes, sir.

The CHAIRMAN. To whom was it leased?

Mr. HILL. The Mahoning Mining Co., I think, is the name of the lessee.

The CHAIRMAN. How long did that lease run?

Mr. HILL. Oh, I do not recall.

The CHAIRMAN. Fifty years?

Mr. HILL. I think it runs until the ore is mined out.

The CHAIRMAN. It is not confined to 50 years? Was it not to be mined out in 50 years?

Mr. HILL. I do not think that lease is confined to 50 years. I think it has longer to run. I am speaking now from recollection.

The CHAIRMAN. The lease provides that the lessees are to have the privilege of taking it out and to pay so much royalty?

Mr. HILL. That is as I understand it. I have never read the lease.

The CHAIRMAN. What is the royalty paid?

Mr. HILL. It is a sliding scale.

The CHAIRMAN. Starting with 12½ cents a ton?

Mr. HILL. I think it starts at 27½, and it is reduced in proportion to the amount mined in each year.

The CHAIRMAN. If there is none mined, what is the minimum?

Mr. HILL. That I do not recall.

The CHAIRMAN. Is it not 12½ cents?

Mr. HILL. The lower price?

The CHAIRMAN. Yes.

Mr. HILL. It may be 15 and it may be 12½. I never saw the lease; I never read it.

The CHAIRMAN. Is that Mahoning mine a Bessemer or non-Bessemer ore?

Mr. HILL. There is both Bessemer and non-Bessemer in that mine. It is a very good quality of iron. The physical structure is fine. I mean by that, the particles are fine, small. It is not known as a coarse ore.

The CHAIRMAN. What is the per cent of iron in it?

Mr. HILL. The contents?

The CHAIRMAN. Yes.

Mr. HILL. Oh, they vary.

The CHAIRMAN. You have considerable ore in that mine 61, 62, or 63 per cent iron?

Mr. HILL. Oh, yes. I think it will run from 58 to 65. That is just my offhand judgment.

The CHAIRMAN. All you could do was to transfer your lease in that case?

Mr. HILL. That is all.

The CHAIRMAN. To whom was that ore leased?

Mr. HILL. To whom?

The CHAIRMAN. Yes. Who had the privilege of taking it out?

Mr. HILL. I think the Mahoning Iron Co.—the Iron Mining Co. I do not recall the title.

The CHAIRMAN. And the Mahoning Iron Mining Co. turned it over to whom?

Mr. HILL. I do not know.

The CHAIRMAN. Do you know who now has that ore, less one-eighth of it?

Mr. HILL. Less one-eighth?

The CHAIRMAN. Does the Steel Corporation have that mine now?

Mr. HILL. No. I think that mine is controlled by the Cambria Steel Co., of Johnstown, Pa.

The CHAIRMAN. Is it the Mahoning or the Hull Rust?

Mr. HILL. We have the Mahoning.

Mr. REED. We have the Hull Rust.

Mr. HILL. I am not talking about the Hull Rust.

Mr. REED. I know you are not. The Mahoning is controlled by the Cambria Steel Co. We have nothing to do with it.

The CHAIRMAN. And you have the Hull Rust?

Mr. REED. I am not sure about that.

The CHAIRMAN. I think you have one-eighth in it.

Mr. HILL. Possibly the National Tube Co. had an interest in the Mahoning lease.

The CHAIRMAN. The Hull Rust, which is adjoining and now stripped, has the same character of ore, has it not?

Mr. HILL. I think so; entirely.

The CHAIRMAN. It has a larger tonnage; it is a larger mine; there is a greater amount of ore; a larger ore body?

Mr. HILL. The Mahoning lease, as we know it, covers about a thousand acres, located in three or four different places on the range. It covers more land than that tract upon which the Mahoning mine is opened.

The CHAIRMAN. I see this tax commission places the Hull Rust as being perhaps a third larger than the Mahoning in its estimate of the tonnage.

Mr. YOUNG. What year's report is that?

The CHAIRMAN. That is the tax commission report for the year 1908.

Mr. YOUNG. There is a good deal of change since.

The CHAIRMAN. Yes; I was making just a rough estimate.

Mr. HILL. I think the tax commission's report of the Mahoning is about 85,000,000 tons.

The CHAIRMAN. Then the Hull Rust would be what?

Mr. HILL. I do not know.

Mr. YOUNG. I have the last report.

Mr. REED. It is in the record; you put in an abstract of it.

Mr. YOUNG. No; that was the Finley report on the Michigan mines that I put in the record.

The CHAIRMAN. What other mines were opened and in operation at the time that this lease was made?

Mr. HILL. The lease to the steel company.

The CHAIRMAN. Yes.

Mr. HILL. The Stevenson, and I think the Leonard.

The CHAIRMAN. Was this Stevenson mine an open-pit mine?

Mr. HILL. Yes, sir.

The CHAIRMAN. What was its tonnage? Do you know about the amount of ore you estimated in that body?

Mr. HILL. My recollection—and it is entirely a matter of recollection—is between three and a half and four million tons. I think they have mined out about seven, and there are two or three million tons left.

The CHAIRMAN. At the time the lease was made there were about seven million tons. You mean subsequent to the lease?

Mr. HILL. The drilling shows about four million, but they have mined six or seven million, and there are about two or three left.

The CHAIRMAN. It is yielding more than was estimated.

Mr. HILL. Yes. I think they added to that lease an additional property that we did not own.

The CHAIRMAN. The Stevenson mine, you say, is opened. What other mine did you say had been opened?

Mr. HILL. The Leonard.

The CHAIRMAN. What is its tonnage? This Stevenson mine—did you get the fee to that mine and turn the fee over to the steel company?

Mr. HILL. The fee?

The CHAIRMAN. Yes. I mean did you lease it to the steel company; did you have the fee?

Mr. HILL. We had the fee, and it was leased.

The CHAIRMAN. You leased it to them; they had the right to it?

Mr. HILL. No; it was leased to Garrett & McKinney, of Cleveland.

The CHAIRMAN. Then the steel company got no ore under the terms of that lease.

Mr. HILL. From the Stephenson mine?

The CHAIRMAN. The Stephenson mine.

Mr. HILL. Yes.

The CHAIRMAN. What other mine was opened?

Mr. HILL. The Leonard.

The CHAIRMAN. How much was there of that?

Mr. HILL. I think that is estimated at six or seven million tons.

The CHAIRMAN. Was it under lease at the time you made this lease to the Steel Corporation?

Mr. HILL. We held that under lease. We did not own the fee.

The CHAIRMAN. You did not own it?

Mr. HILL. No.

The CHAIRMAN. You simply had a lease on it?

Mr. HILL. Yes, sir.

The CHAIRMAN. From whom had you leased it?

Mr. HILL. I think it was leased from a Michigan lumberman named Allworth. I am speaking now from recollection.

Mr. YOUNG. Allworth of Duluth?

Mr. HILL. I think of Kalamazoo, Mich.

Mr. YOUNG. Not the Duluth Allworth?

Mr. HILL. I do not know. It may be, but I do not know.

Mr. YOUNG. Yes; that family was one of the early settlers there.

The CHAIRMAN. Then the Steel Corporation got no ore, under the terms of this lease of which I am speaking, from the Allworth mine or this last-named mine?

Mr. HILL. Oh, they got all the ore that was included in the list. They got whatever ore was in the Leonard.

The CHAIRMAN. The Steel Corporation did?

Mr. HILL. Yes; after the date of the lease.

The CHAIRMAN. Did you tell me how many tons there were estimated in the Leonard mine?

Mr. HILL. Speaking from recollection, I should say six or eight million tons.

The CHAIRMAN. Did you have any other mine opened and in operation at that time?

Mr. HILL. I do not recall any other.

The CHAIRMAN. Then, with the exception of the Leonard mine, there was no mine in the properties from which the Steel Corporation was to get ore under the terms of this lease which was stripped or in operation at the time the lease was made?

Mr. HILL. That is as I remember it.

The CHAIRMAN. You say you got 25,000 acres and a railroad from Wright & Davis?

Mr. HILL. Yes, sir.

The CHAIRMAN. What was the length of the road, Mr. Hill?

Mr. HILL. The portion from the mines to a connection with the Duluth & Winnipeg was originally a lumber road and they had rebuilt it and made a fairly good single-track road. About 45 miles I should say from recollection.

Then they had a number of logging roads, or spurs, 5 or 6 or 7 or 8 miles, running different places. We bought the entire outfit.

The CHAIRMAN. Bought the railroad and the 25,000 acres of ground and these mines?

Mr. HILL. And the logging roads and the logging contracts.

The CHAIRMAN. And the lumber?

Mr. HILL. Not the lumber.

The CHAIRMAN. You did not buy the lumber?

Mr. HILL. No, sir.

The CHAIRMAN. That belonged to Warehauser, you say?

Mr. HILL. Yes, sir. The contract for cutting and delivering those logs at Swan River——

The CHAIRMAN (interposing). You got the hauling of the logs?

Mr. HILL. The cutting and hauling of the logs was a contract that had been made between Warehauser and the company and Wright & Davis.

The CHAIRMAN. You spoke of delivering at Swan River. I am not well enough acquainted with that part of the country to understand whether that necessitated the transportation of those logs over the road you got from Wright & Davis or over your road.

Mr. HILL. Over the Wright & Davis road. Swan River is the end of that road, where that road terminates on the Mississippi River. The logs are dumped in the river and floated down the stream.

The CHAIRMAN. What did you pay Wright & Davis for this property?

Mr. HILL. $4,050,000.

The CHAIRMAN. It became your property?

Mr. HILL. Yes, sir.

The CHAIRMAN. You gave a check for that property, I presume; you did not pay them in cash?

Mr. HILL. I paid them, I think, $1,000,000.

The CHAIRMAN. Did you not give them a check for that property on the Chase National Bank?

Mr. HILL. I gave them, I think, $1,000,000, and then I paid them a further amount; and a portion of it was left until they were in a position to deliver it to us.

The CHAIRMAN. But was not that property paid for by check to Wright & Davis, drawn on the Chase National Bank, of New York?

Mr. HILL. I think $1,000,000 was paid in check on the Chase National Bank, and possibly the later payments, because I did my banking business with them.

The CHAIRMAN. Was not that money taken—was not the payment of that check—taken out of the funds or out of the surplus of the Great Northern Railroad?

Mr. HILL. Not a penny of it.

The CHAIRMAN. Did you make a statement of that kind before the Miller committee?

Mr. HILL. Of what kind?

The CHAIRMAN. A statement to the effect that a part of this money in some way came out of the Great Northern Railroad.

Mr. HILL. It did not; not a penny of it.

Mr. YOUNG. What is the Miller committee?

The CHAIRMAN. The Minnesota committee which investigated into this situation.

Mr. HILL. Before that committee I testified clearly that the Great Northern never paid a dollar.

The CHAIRMAN. The Great Northern or none of the Great Northern funds, then?

Mr. HILL. None of the Great Northern funds were paid to Wright & Davis; not a cent.

The CHAIRMAN. It was all your own personal property?

Mr. HILL. Yes, sir.

The CHAIRMAN. There were some other lands also—mineral lands—which were turned over under this lease to the Steel Corporation, were there not?

Mr. HILL. Oh, yes.

The CHAIRMAN. What lands were they?

Mr. HILL. There were some in which we owned an interest, some adjoining the lands we owned; and for convenience in mining they were included, and the owners got the same royalty that we did, or that I did.

The CHAIRMAN. There was, in addition to the property you had, the Longyear and Bennett properties?

Mr. HILL. Yes; the Bennett and Longyear properties.

The CHAIRMAN. What is the extent of the Bennett and Longyear holdings?

Mr. HILL. I do not recall. Bennett and Longyear owned a half interest in some of the lands we bought from Wright & Davis. Those lands were included, and some Bennett and Longyear lands, that were mixed in with them for convenience of mining and handling, were included.

The CHAIRMAN. Do you know how many acres?

Mr. HILL. I do not.

The CHAIRMAN. I see here in this report into the steel industry——

Mr. REED. What page?

The CHAIRMAN. I am referring to page 261, to the footnote on that page, which says:

> The character of ownership or control by the Hill interests of this 39,296 acres was as follows:
>
> Owned in fee, 19,934 acres; owned in fee jointly with other parties (of which the Great Northern interest was 7,915 acres), 15,972 acres; held by lease, 3,390 acres.

Now, how did the Great Northern get 7,915 acres in there; do you know, Mr. Hill?

Mr. HILL. The Great Northern Railway did not own them. These lands, for instance, the Wright & Davis lands, were held by com-

panies. While we got the fee and called them fee lands, the fee is in the companies of which I purchased the entire stock from Wright & Davis.

The CHAIRMAN. Can you make any estimate of what part of this 15,000 acres given here by Herbert Knox Smith is owned by Longyear and Bennett? What proportion of the entire amount leased to the Steel Corporation was yours and what proportion was Longyear's and Bennett's turned over by you as agents?

Mr. HILL. I think that the Longyear and Bennett holding was one-half.

The CHAIRMAN. Of that 25,000 acres?

Mr. HILL. No. The number of acres I can not recall.

The CHAIRMAN. I do not understand you. One-half of what?

Mr. HILL. The Longyear and Bennett holding was one-half of the lands owned jointly. They owned one-half of a portion of the Wright & Davis lands; but, speaking from recollection—and it is only recollection and it may not be correct—I think about somewhere from 7,000 to 7,500 acres was owned by the trustees and the other half by Bennett and Longyear.

The CHAIRMAN. By what trustees?

Mr. HILL. The trustees of the iron property.

The CHAIRMAN. The trustees of the iron properties?

Mr. HILL. Yes, sir; the trustees to whom they were conveyed. After I had held the Wright & Davis land and some other land for about a year I turned them over to a company known as the Lake Superior Co., to hold them in trust for the shareholders. The Great Northern never owned them.

The CHAIRMAN. I understand.

Mr. HILL. But it was a transaction that came to me in dealing for the company, and I did not want any personal interest in anything that was mixed up in the company's affairs, and I turned those lands over to be held for the benefit of the shareholders of the Great Northern Railway.

The CHAIRMAN. But you do not catch my question. I will come to that further on, about the transfer of your holdings to this company—the Lake Superior Co. (Ltd.), I believe it is called?

Mr. HILL. Yes.

The CHAIRMAN. What I want to get now is how much property had Bennett and Longyear; how many acres of ground; what area of land approximately over which the Hill interests, the trustees, or anybody with whom you were associated, got control, and subsequently turned over to the United States Steel Corporation under this lease. I want to know how much property it was.

Mr. HILL. I could not tell you the acreage. I think the joint holdings were somewhere in the neighborhood of twelve or fifteen thousand acres, and they were turned over.

The CHAIRMAN. Did any of the Longyear and Bennett properties contain mines which had been developed and were being worked at the time you secured control of them?

Mr. HILL. We never secured control of them except the purchase from Wright & Davis; and, later, Bennett and Longyear turned their interests in under the lease.

The CHAIRMAN. You made an arangement with Bennett and Longyear in which the Bennett and Longyear lands were to be turned in

under this lease, under the same terms and conditions as the Hill property, did you not?

Mr. HILL. That is right.

The CHAIRMAN. At the time this lease was signed, that this contract was entered into, was there an operated mine, an open pit, or a shaft or any other mine, or instrumentality on earth, by which a ton of ore was actually being produced on the Bennett and Longyear property?

Mr. HILL. Not that I recall. I think those lands had been drilled by Bennett and Longyear. I think they had, but no ore produced.

The CHAIRMAN. The Steel Corporation agreed, in other words, that in the event they did open a mine, or operate one, strip an area, or sink a shaft, or anything of that sort, that they would pay a certain amount per ton for ore they got off of this property, delivered at Two Harbors or Duluth, or wherever it was, on the Lakes?

Mr. HILL. They agreed to mine the ore that was on the land included in the lease, in a workmanlike and economical manner and to pay for what ores they took out of the mines.

The CHAIRMAN. Now, Mr. Hill, you said that property at one time was your property?

Mr. HILL. Yes.

The CHAIRMAN. And you turned it over to the Lake Superior Co. (Ltd.)?

Mr. HILL. Yes.

The CHAIRMAN. Who constituted the Lake Superior Co. (Ltd.)?

Mr. HILL. Myself and two sons, according to my recollection.

The CHAIRMAN. James N. Hill and——

Mr. HILL. L. W. Hill.

The CHAIRMAN. L. W. Hill?

Mr. HILL. Yes, sir.

The CHAIRMAN. Did R. A. Farrington have anything to do with it, the vice president of the Great Northern?

Mr. HILL. He might.

The CHAIRMAN. Was he not one of the trustees?

Mr. HILL. No. He might have been a member of the limited company. The limited company was created originally for the purpose of holding these lands.

The CHAIRMAN. It was a joint-stock association?

Mr. HILL. No; it was a limited-liability company.

The CHAIRMAN. A holding company?

Mr. HILL. A limited-liability company under the laws of Michigan.

The CHAIRMAN. What was its function; was it a holding company?

Mr. HILL. To hold the titles.

The CHAIRMAN. It held the stock of the companies?

Mr. HILL. Of the Wright & Davis Co., and any other properties that were conveyed to it.

The CHAIRMAN. Did it have the stock of the Alluez Bay Dock Co.?

Mr. HILL. I could not say.

The CHAIRMAN. Was not that turned over to it?

Mr. HILL. I could not say.

The CHAIRMAN. You were interested in that company?

Mr. HILL. I am interested in a great many companies; am connected with a great many properties; and I could not carry them in my mind—but a very small part of them.

The CHAIRMAN. That Alluez Dock Co. is a great big concern, is it not?

Mr. HILL. It has grown to be.

The CHAIRMAN. Worth many millions of value?

Mr. HILL. Oh, yes; I should say so now. They have finished a new steel dock this year.

The CHAIRMAN. That is at Superior?

Mr. HILL. At Superior.

The CHAIRMAN. That dock company receives one-half of the rate through the haul of ore on the Great Northern Railroad between the Mesabi Range and Superior, does it not?

Mr. HILL. No, sir.

The CHAIRMAN. What per cent does it receive?

Mr. HILL. No per cent.

The CHAIRMAN. What does it get out of what it docks there?

Mr. HILL. I think so much a ton.

The CHAIRMAN. Is it 40 cents?

Mr. HILL. Oh, no.

The CHAIRMAN. How much?

Mr. HILL. My recollection is it was 20 cents; I am speaking now from recollection.

The CHAIRMAN. How many million tons are delivered to that dock every year, on an average?

Mr. HILL. Some years there would be five and six and eight.

The CHAIRMAN. Now, then——

Mr. HILL (interposing). Just a moment, if I may explain that, because I recall the question of dock compensation was based by comparison on the terminal charge for elevating grain. Grain used to be 32 cents a ton and it is now 25; that is, for a net ton of 2,000 pounds. The ore is handled by the gross ton, and it was 20 cents.

In docking the ore has to be sorted. It is not simply a matter of dumping it. The ore has to be sorted. Every carload of ore has to be sorted, so that a cargo of ore will be of the same value in units of iron. In doing that there is a great deal of care taken. Each carload has to be put with ore of the same metallic value. If a carload of ore is put in below the cargo value, another carload or the same quantity has to be put in to bring it up.

The CHAIRMAN. You try to load each car with a homogenous ore?

Mr. HILL. No; a vessel load has to be brought to whatever that cargo is sold for.

The CHAIRMAN. I see.

Mr. HILL. If the dock company took ore that was 63 per cent and put it into a 59 per cent cargo, they would have to pay about 5 cents a ton penalty on every unit of iron they had handled in that way.

The CHAIRMAN. That requires discretion in the working of these pockets that load the ore down into the vessel?

Mr. HILL. That requires close and accurate work.

The CHAIRMAN. Now, Mr. Hill, do you know whether the Great Northern Elevator Co., of Buffalo, N. Y., went into this Lake Superior Co. (Ltd.)?

Mr. HILL. I think it was sold to the Lake Superior Co.

The CHAIRMAN. Do you know whether the Terminal Railroad Stock Co., at Superior, went into it?

Mr. HILL. I think the Terminal Railroad—there are several terminal railroads there, and the Lake Superior Terminal never went into it. That is a company owned by a number of the railroads there. Now, I do not recall the Lake Superior Terminal.

The CHAIRMAN. Do you know whether the stock of the Great Northern Express Co. went into this Lake Superior Co. (Ltd.)?

Mr. HILL. I think it did.

The CHAIRMAN. How about the Wachahatchie Coal Co., of Washington?

Mr. HILL. I do not know any such company. There is a land company called the Wenatchee.

The CHAIRMAN. That is it.

Mr. HILL. There is an improvement company there.

The CHAIRMAN. Did its stock go into it?

Mr. HILL. There were some bonds, is my recollection.

The CHAIRMAN. How about the Sancular Coal Co., of Montana?

Mr. HILL. Now, the Wenatchee Co. has nothing to do with the other, and I will make that plain. At Wenatchee the people there thought if they could bring water onto the land it would prove to be an excellent apple country, and I took some of the bonds—my recollection is it was $12.000 or $15,000 of the bonds—for the railway company, a railway they had, and that was turned over. They have since been paid. Wenatchee now is a very swiftly growing place, and their apples sell here in Washington, and are sent to London, St. Petersburg, and Paris, exported.

The CHAIRMAN. Was the stock of the Sancular Coal Co. of Montana put into this Lake Superior Co. (Ltd.)?

Mr. HILL. I think it was. I think the Sancular Coal Co.'s stock was put into the Lake Superior Co. They were put in subsequently.

The CHAIRMAN. Did you put in various town-site places or the stocks of various town sites?

Mr. HILL. I do not remember what. It was used to hold several of these outside enterprises.

The CHAIRMAN. These concerns altogether had a surplus stock or dividends amounting to about $20,000,000, did they not?

Mr. HILL. I do not recall.

The CHAIRMAN. Do you know, approximately?

Mr. HILL. I do not. I should not think it was anything like that amount, though.

The CHAIRMAN. The purpose was to get an operating capital for this iron-ore company, was it not?

Mr. HILL. Not at all.

The CHAIRMAN. What was your purpose in turning over all these companies to the Lake Superior Co. (Ltd.)?

Mr. HILL. The elevator was built at Buffalo, the first large steel elevator that was built in the country. We had our own ships on the Lakes. The grain was weighed in by the weighmasters of the State of Minnesota. We would get down to Buffalo, and we found at times we would be short as much as 2,000 or 2,500 bushels out of a cargo of 100,000 when we knew there was not a peck lost on the trip. There was also a very heavy charge at Buffalo for elevating.

The CHAIRMAN. Mr. Hill, you do not catch my question.

Mr. HILL. There was a very heavy charge in Buffalo made per bushel for elevating grain—I think it was 1.5 cents a bushel. We

concluded to build our own elevator; and we built a large steel elevator there, with about two and three-quarter million bushels capacity, reducing the price three-quarters of a cent per bushel, and thus stopped that leakage.

There was an open question as to whether or not the Great Northern Co. could run an elevator in Buffalo, and that was the reason it was transferred to the Lake Superior Co.

The CHAIRMAN. The Great Northern?

Mr. HILL. The Great Northern Railway.

The CHAIRMAN. The Great Northern Railway owned the stock of the Buffalo elevator?

Mr. HILL. Yes, sir.

The CHAIRMAN. And there was a question as to whether or not a common carrier could own and operate an elevator?

Mr. HILL. In the State of New York.

The CHAIRMAN. In the State of New York?

Mr. HILL. We could in the State of Minnesota.

The CHAIRMAN. And for that reason you transferred the stock of the elevator company to this Lake Superior Co. (Ltd.), which was a holding company?

Mr. HILL. Yes. We were largely interested in carrying grain, and we were largely interested in the grain being handled at reasonable prices.

The CHAIRMAN. Before the stock of these various companies was transferred to the Lake Superior Co. (Ltd.), what stock had the Lake Superior Co.?

Mr. HILL. The Lake Superior Co. held this stock in trust. The stock of the Lake Superior Co. was $100,000.

The CHAIRMAN. Had the Lake Superior Co. prior to the time that these stocks were turned over to it the control or the ownership of or any right, title, or interest whatever in this ore region?

Mr. HILL. None at all.

The CHAIRMAN. It had no relation, then, to iron ores?

Mr. HILL. It is a long time ago, and I am speaking from recollection. I think it was organized for the purpose of holding the iron ore lands that I had acquired on the Mesabi Range.

The CHAIRMAN. On the Mesabi Range?

Mr. HILL. Yes.

The CHAIRMAN. So that, before this Lake Superior Co. (Ltd.) acquired these various stocks, you turned over to this company your ownership in this iron-ore property that you had acquired on the Mesabi Range. How was that done?

Mr. HILL. They were turned over to be held in trust.

The CHAIRMAN. I understand. What I do not understand—I am not much of a corporation lawyer, I fear—is this: You bought this property as you would buy a farm?

Mr. HILL. Yes.

The CHAIRMAN. You did not represent any company or anything like that. By what means did you transfer this property to the Lake Superior Co. (Ltd.)?

Mr. HILL. Let me go back a moment. I testified that I bought the stocks of the Wright & Davis Co. that owned these lands.

The CHAIRMAN. It was a stock company when you bought it?

Mr. HILL. The properties were owned by stock companies.

The CHAIRMAN. And you transferred the stocks that you got from the Wright & Davis Co. to the Lake Superior Co. (Ltd.). I see.

Mr. HILL. Under a trust agreement for the benefit of the shareholders of the Great Northern Railway as they might appear of record subsequently.

The CHAIRMAN. Who owned the stock of the Alluez Bay Dock Co.?

Mr. HILL. I do not know.

The CHAIRMAN. Did not the Great Northern Railway own it?

Mr. HILL. I do not know. I do not recall.

The CHAIRMAN. Who owned the stock in the Great Northern Express Co.?

Mr. HILL. The Great Northern Railway owned it.

The CHAIRMAN. Who owned the stock in the Wenatchee Coal Co.?

Mr. HILL. There is no Wenatchee Coal Co.

The CHAIRMAN. What do you call it? The Wenatchee Improvement Co., was it?

Mr. HILL. I think in place of stocks that was bonds.

The CHAIRMAN. Who owned that? The Great Northern Railway Co.?

Mr. HILL. I am not sure whether the Great Northern Railroad owned those bonds or whether I did.

The CHAIRMAN. Who owned the stocks of the Sancular Coal Co.?

Mr. HILL. The Great Northern or the Montana Central owned them originally and the Great Northern Railway Co. acquired them—the Montana Central and all that property.

The CHAIRMAN. We come to the point where the Lake Superior Co. (Ltd.), under a trust agreement, holds the stocks in this Mesabe Range property, which you got from Wright & Davis and others, and holds the stocks of these various other companies. Was there any merger of these stocks with the stocks of the Wright & Davis Co.?

Mr. HILL. Oh, no.

The CHAIRMAN. They were sold by the same company, but entirely distinctly?

Mr. HILL. They were sold under a trust agreement for the benefit of the shareholders of the Great Northern Railway.

The CHAIRMAN. Both were held in the same way?

Mr. HILL. That is, the Wright & Davis properties?

The CHAIRMAN. Who owned the Alluez Bay Dock Co. and the Terminal Railroad stocks?

Mr. HILL. I do not recall the Terminal Railroad.

The CHAIRMAN. How were the stocks of the Great Northern elevator at Buffalo, the Sancular Coal Co. held—for whose benefit?

Mr. HILL. I think they were transferred subsequently and held for the benefit of the shareholders of the Great Northern Railway.

Mr. GARDNER. May I ask a question there to clear my mind in regard to a point?

The CHAIRMAN. Certainly.

Mr. GARDNER. I understand the witness owned certain stocks in the Wright & Davis Co. and other pieces of property, which he transferred to the Lake Superior Co. (Ltd.) under deed of trust for the benefit of stockholders of record of the Great Northern Railroad securities; is that right?

Mr. HILL. For the benefit of the stockholders of the Great Northern Railway Co.

Mr. GARDNER. The Great Northern Railroad Co.?

Mr. HILL. Yes.

Mr. GARDNER. What was the consideration for that? I mean, you and your associates owned this property and apparently you turned it over to a holding company?

Mr. HILL. There was no associates. I bought it and paid for it. and the property was handled and I was paid back, I think, the cost price and interest at 5 per cent during the time my money was invested in it.

Mr. GARDNER. That is to say, the Lake Superior Co. paid you for these pieces of property?

Mr. HILL. Yes.

Mr. GARDNER. And, in return, the stockholders of the Great Northern Co. paid the Lake Superior Co., did they?

Mr. HILL. The Lake Superior Co. had considerable income. They started right in to have considerable income from the mines.

Mr. GARDNER. What I could not understand in the course of the question was the means by which these properties ceased to be operated and owned in your interest and became operated and owned in the interest of the stockholders of the Great Northern Railway Co.

Mr. HILL. They were never operated——

Mr. GARDNER. Leave out the word "operated," then, and say "owned" in your interest.

Mr. HILL. They were owned.

Mr. GARDNER. You owned them?

Mr. HILL. Yes.

Mr. GARDNER. You put them in a holding company, to wit, the Lake Superior Co. (Ltd.)?

Mr. HILL. Yes.

Mr. GARDNER. Ordinarily people would say that that holding company would hold them for your benefit, instead of which they hold them for the benefit of the stockholders of the Great Northern Railway Co.

Mr. HILL. That is right.

Mr. GARDNER. I ask what was the consideration, and why was that done?

Mr. HILL. What was the consideration?

Mr. GARDNER. Yes.

Mr. HILL. The consideration was the amount that I had paid, with 5 per cent interest during the time that my money was invested.

Mr. GARDNER. Was that paid back to you?

Mr. HILL. Yes.

Mr. GARDNER. When—at the time of the organization?

Mr. HILL. At the time of the organization of what?

Mr. GARDNER. At the time of the organization of the Lake Superior Co.

Mr. HILL. I think it was subsequently.

Mr. GARDNER. But you were given some instrument that showed that you would be paid back?

Mr. HILL. Yes.

The CHAIRMAN. What was your question, Mr. Gardner? I was interrupted for a moment, and I am very much interested to know just what it was.

Mr. GARDNER. The witness had shown that stocks in various concerns which he owned and extraneous pieces of property were transferred to the Lake Superior Co. (Ltd.).

Mr. HILL. In trust.

Mr. GARDNER. In trust; and that the beneficiaries of the trust, instead of being himself, were the stockholders of the Great Northern Railway Co. What I wanted to ascertain was what equivalent was given to him in order to transfer his rights in his own property to some other stockholders; how it was done, and when it was done. That was my idea. It seemed to be a missing link.

Mr. HILL. I was paid back the money that I had paid for these properties with 5 per cent interest.

Mr. BEALL. You were paid by the Great Northern Railroad?

Mr. HILL. No, sir; I was not.

Mr. BEALL. By whom?

Mr. HILL. I was paid by the Lake Superior Co. These properties immediately began, within a very short time after I took them, to take on great value, and I always had a rule that if I could make money for myself in a transaction connected with the company, I could make it for the stockholders, and it was fair that I should make it; and that has been the rule of our company from the beginning, and there is nothing to conceal about it. It is perfectly plain.

Mr. GARDNER. Absolutely. But we are not business men. I did not mean to say that you had got a greater profit out of your company than you were entitled to on this transaction. Probably you had your company in view all the time?

Mr. HILL. I had.

Mr. GARDNER. But I wanted to get at the nature of the transaction.

Here is the Lake Superior Co. (Ltd.) which is a copartnership—a sort of copartnership?

Mr. HILL. I think so. I have never read its charter. It is a limited liability company.

Mr. GARDNER. There are certain trustees?

Mr. HILL. They are trustees.

Mr. GARDNER. Who own certain properties?

Mr. HILL. Yes.

Mr. GARDNER. And they hold the property which you turned over to them?

Mr. HILL. Yes.

Mr. GARDNER. Thereupon they pay you back what it has cost you. You have been doing it presumably for the stockholders of the Great Northern Railway in the long run. I presume it was done with that purpose, was it not?

Mr. HILL. It was done to help the company.

Mr. GARDNER. It was done to help the company?

Mr. HILL. Yes.

Mr. GARDNER. And they are going to pay you back your money with 5 per cent interest or whatever it was. That puts the trustees, after they pay you back, in the position of being a holding company for new parties?

Mr. HILL. Yes.

Mr. GARDNER. And the new parties are the Great Northern Railway Co.?

Mr. HILL. No, sir; the stockholders of the Great Northern Railway Co.

Mr. GARDNER. Did the stockholders pro rata pay into the Lake Superior Co. (Ltd.) the amount which they paid you?

Mr. HILL. No.

Mr. GARDNER. How did they acquire their interest?

Mr. HILL. How did they? It was given to them.

Mr. GARDNER. Where did the Lake Superior Co. get its funds to pay you?

Mr. HILL. The Lake Superior Co. carried on the business and received the income from royalties and one source and another. I think they sold the elevator. I am speaking from recollection now. I do not carry these transactions. I think, however, they sold the elevator, and they may have used that fund.

Mr. GARDNER. Let me see if I have the transaction right: You purchased certain shares in the Wright & Davis Co. and certain other parcels of property, and you transferred them to the Lake Superior Co. (Ltd.) under a deed of trust for the benefit of the stockholders of the Great Northern Railway Co.

In time they realize on some of these properties, derive an income on others, and from the funds received from those profits and those sales of property, like the elevator company, they pay you back, and the stockholders of the Great Northern Railway Co. at once become the proprietors of so much of the property as is left after paying you back. Is that correct?

Mr. HILL. They are the beneficiaries, not the proprietors.

Mr. GARDNER. That is, they become the sole beneficiaries of this property held in trust for them?

Mr. HILL. That is as I understand it.

Mr. GARDNER. In other words, it cost the stockholders of the Great Northern Railway Co. nothing?

Mr. HILL. Nothing.

Mr. GARDNER. You were paid back for what you expended and, ultimately, the Great Northern Railway Co. stockholders get the benefit of that which the property actually proved to be worth over and above what you had paid for it?

Mr. HILL. Yes, sir.

Mr. GARDNER. Is that a correct statement?

Mr. HILL. That is the transaction. That is it exactly.

Mr. BEALL. Just one point I am mystified on: I may not understand the relation. I can not understand why the stockholders of the Great Northern Railway Co. would receive as a gift this property that cost you $4,050,000.

Mr. HILL. Before they received that I got my $4,050,000.

Mr. BEALL. I understand you got that back. It was paid back to you from this limited company?

Mr. HILL. Yes.

Mr. BEALL. But the stockholders of the Great Northern Railway Co. got the benefit, were made the beneficiaries of this trust?

Mr. HILL. Yes.

Mr. BEALL. And they never did have to pay anything for it?

Mr. HILL. That is right.

Mr. BEALL. I was not sure that I understood it.

Mr. HILL. I have been the trustee of the stockholders of the Great Northern Railway Co. for a great many years.

Mr. BEALL. Yes.

Mr. HILL. And I have tried always to carry on their business as it ought to be done.

Mr. BEALL. As trustee for them, was there ever any other instance where this amount of property was given to them and they paid nothing in return?

Mr. HILL. I do not recall many such transactions; but that does not alter the fact at all.

Mr. BEALL. Of course not.

Mr. HILL. No; it was right. If I could make that money for myself I could make it for them, could I not?

Mr. BEALL. Yes. You paid the money for it, and it seems to me the right thing was, if they——

Mr. HILL (interposing). I could have kept it.

Mr. BEALL. It seemed to me that the right thing was for them to have refunded to you the amount of money you had paid——

Mr. HILL. So long as I got my money, with interest, what difference did it make?

Mr. BEALL. Of course you had no basis for complaint, but I can not see what interest these——

Mr. HILL (interposing). But I represented those stockholders. I was, in a measure, dealing with myself.

Mr. GARDNER. Let me put it in this way: You pay $4,000,000, really acting for the stockholders of the Great Northern Railway Co.?

Mr. HILL. I bought that property so as to get control of the transportation of that ore, which was important to that portion of the road, which had practically no business.

Mr. GARDNER. You did it with their interest in view—not with your own interest in view?

Mr. HILL. That is right.

Mr. GARDNER. Subsequent events showed the property was worth a good deal more than $4,000,000?

Mr. HILL. Yes.

Mr. GARDNER. You are paid back your $4,000,000, and, really, the whole thing has been done for the stockholders?

Mr. HILL. Yes.

Mr. GARDNER. They get the balance, whatever it is worth, over that $4,000,000?

Mr. HILL. Yes.

Mr. GARDNER. But supposing the thing had gone the other way; supposing, instead of being worth $4,000,000, it had proved to be worth only $2,000,000; how would you have been protected?

Mr. HILL. I should have been out. I was under no obligation to buy it for them.

Mr. GARDNER. In other words, you were in the position where, if you made money out of the transaction, that went to the stockholders, and if you lost money that came out of your own pocket?

Mr. HILL. I do not know what the stockholders would have done. I have worked for 33 years for them now.

Mr. GARDNER. Would they have had the legal right to reimburse you?

Mr. HILL. I could not enforce any right of that kind.

Mr. GARDNER. Would they have had the right? Would the directors of that railroad have had the right to reimburse you in case you had made a bad venture?

Mr. HILL. I do not think they would. But when I made that purchase the Mahoning mine was in plain sight. There was no risk about it. It was a well open, shipping mine. The Mahoning mine was worth all I paid for it. Mr. Wright told me his best information was that they had 150,000,000 tons of ore in the land, and he thought a great deal more. I asked him upon what his information was based, and he said it was general information. They had not been drilled, but the Mahoning property was there, and the Mahoning property was worth, at that time, practically all I paid for it.

Mr. GARDNER. As events have shown, it was worth a great deal more?

Mr. HILL. It was worth a great deal more. I think the lease that the Mahoning Co. owns is worth anywhere from $50,000,000 to $75,000,000.

Mr. GARDNER. So you were, after all, in this position, that if the coin turned up "heads" you came out even, and if the coin turned up "tails" somebody else got all the profits?

Mr. HILL. I have been in that position for 33 years. I have worked for the company that length of time, and the shareholders have relied on me entirely; and everyone of them have had just the same salary that I have had. I felt that it was worth my while to have clean hands.

Mr. GARDNER. Of course.

What is the reason that forces a situation like that? Is it in consequence of the laws of the various States of this Union that the company can not do it for itself and therefore its president must do it for it?

Mr. HILL. I was not bound to buy that property.

Mr. GARDNER. I quite understand that. But was there any reason why the stockholders of the Great Northern Co. should not have done exactly what you did? Was there any legal reason?

Mr. HILL. I could not get at them individually, and I do not think that, as a corporation, the Great Northern Railway Co. could operate mines. It might operate a coal mine for its own use, but I do not understand that it could go into the operation of mining iron ore.

Mr. GARDNER. Under the United States law or under State law?

Mr. HILL. It is a corporation under the State of Minnesota, or under the Territory, and adopted by the State.

Mr. GARDNER. Is there anything in the United States law which would prevent their going into the operation of mines?

Mr. HILL. I do not know. I am not a lawyer.

The CHAIRMAN. You do not claim that the Great Northern Railway Co., under the present interstate-commerce act, could own and operate the Mahoning mine as a merchant mine?

Mr. HILL. I have just said it could not.

Mr. GARDNER. That is what I meant in asking whether it was a Federal law.

The CHAIRMAN. That would be clearly within the commodities clause of that act. But you, as president, could own and operate it, and you could, if you wanted to, distribute the shares pro rata among the stockholders of the company?

Mr. HILL. Or give it to the poor.

The CHAIRMAN. Or give it to the poor?

Mr. HILL. Yes.

The CHAIRMAN. And you preferred to give it to the company?

Mr. HILL. Yes.

The CHAIRMAN. Did the company need it worse than the poor, Mr. Hill?

Mr. HILL. Dealing with the worthy poor is a great problem.

The CHAIRMAN. How did you distribute it among these shareholders?

Mr. HILL. It was distributed to them——

The CHAIRMAN (interposing). Share and share alike, was it not?

Mr. HILL. The trustees gave them certificates representing their aliquot portions.

The CHAIRMAN. Exactly. You gave a certificate in this company——

Mr. HILL (interposing). If you please, I did not give them anything.

The CHAIRMAN. And, by the way, it was not this Lake Superior Co. (Ltd.) that did that work at all, was it? You formed another company, did you not?

Mr. HILL. The Lake Superior Co.——

The CHAIRMAN (interposing). Became what?

Mr. HILL. The Lake Superior Co., under direction, conveyed to the trustees the titles and the leases.

The CHAIRMAN. And this Lake Superior Co. (Ltd.) afterwards became the Great Northern Ore Co.?

Mr. HILL. That is it. That is, the Lake Superior Co. did not become the Great Northern Ore Co., but the Great Northern Ore Co. is a trust for the benefit of the shareholders of the ore lands, and they are distributed to the stockholders of the Great Northern Ore Co.

Mr. YOUNG. It is the trustee?

Mr. HILL. Yes.

The CHAIRMAN. And you gave one ore certificate in this company for each share of stock in the Great Northern Railway Co.?

Mr. HILL. Yes; that is right.

The CHAIRMAN. So that if a man had 100 shares of stock in the Great Northern Co., he got 100 ore certificates?

Mr. HILL. That is right.

The CHAIRMAN. And the effect of that arrangement was identical with ownership, except that the legal status was different? I mean, the proceeds from whatever you derived from the operation of these ore lands went to the holders of stock in the Great Northern Ore Co. just as they would have done if the Great Northern Railway Co. had owned it absolutely. Is not that true?

Mr. HILL. No. The shareholders of the Great Northern got beneficiary shares in the ore company, and those beneficiary shares in

the ore company get whatever income there is after paying expenses coming from the ore lands. Those shareholders were the same, at one time, on the day or hour they were distributed. Later, one man might sell his share of railroad stock and the other one might sell his ore stock; and they became entirely different.

The CHAIRMAN. If the holders of Great Northern stock had never transferred their ore certificates, or if you had placed a clause in the ore certificates providing that they were not to be transferred or negotiated except upon the transfer or negotiation of a corresponding share of stock with which it was issued, would there have been any difference between that and the ownership outright by the Great Northern Co. as far as profits in the operation of the ore company were concerned?

Mr. HILL. They are held entirely separate.

The CHAIRMAN. I know it; but I am speaking now of the effect. Were the profits distributed in that way the same as if your company had owned and operated the ore lands?

Mr. HILL. If the railroad company had owned and operated the ore lands, it would have been paid in dividends by the railway company, and the railway company never made any such dividends, and could not, because they never had the title or ownership to it or anything connected with it.

Mr. GARDNER. Suppose I owned 100 shares of Great Northern Railway stock at the time these ore certificates were issued.

Mr. HILL. Yes.

Mr. GARDNER. I would have received 100 ore certificates?

Mr. HILL. Yes.

Mr. GARDNER. Would I have been permitted to sell those 100 certificates to Mr. Young without at the same time selling him my 100 shares of stock?

Mr. HILL. Certainly. Do as you like with them. They are yours. There is no string attached to them.

Mr. GARDNER. There was no condition attached to them at all?

Mr. HILL. Not at all. It was just as separate and distinct as can be; and it is quite simple, when you understand it.

The CHAIRMAN. On the day or hour the certificates were issued each man's share in them was determined by his interest in the Great Northern Railway Co.?

Mr. HILL. It was determined by his interest in the Great Northern Railway Co. as far as the allotment of certificates to him was concerned; but he had no more title to that through the Great Northern than he had in buying a house or a horse.

The CHAIRMAN. The committee will stand adjourned until to-morrow morning at 10 o'clock, when we shall be obliged if you will appear before us again, Mr. Hill.

Whereupon, at 4.05 o'clock p. m., the committee adjourned until 10.30 o'clock to-morrow morning, February 13, 1912.

No. 49

UNITED STATES STEEL CORPORATION

HEARINGS

BEFORE THE

COMMITTEE ON INVESTIGATION OF UNITED STATES STEEL CORPORATION

HOUSE OF REPRESENTATIVES

TUESDAY, FEBRUARY 13, 1912

WASHINGTON
GOVERNMENT PRINTING OFFICE
1912

UNITED STATES STEEL CORPORATION.

COMMITTEE ON INVESTIGATION OF THE
UNITED STATES STEEL CORPORATION,
HOUSE OF REPRESENTATIVES,
Washington, D. C., Tuesday, February 13, 1912.

The committee this day met, Hon. Augustus O. Stanley (chairman), presiding.

The CHAIRMAN. I am just in receipt of a telegram from Mr. Littleton saying that he regrets his inability to be present at the hearing on account of the fact that he has been ill for several days and last night was called to New York on peremptory business.

STATEMENT OF MR. J. J. HILL—Resumed.

The CHAIRMAN. Mr. Hill, at the adjournment of this committee on yesterday we had gotten to the point where the Lake Superior Co. (Ltd.), a joint-stock association, had been organized in what was known as the Great Northern Ore Co. Was the Great Northern Ore Co. a joint-stock association?

Mr. HILL. No, sir.

The CHAIRMAN. What was the nature of that corporation?

Mr. HILL. It was a trust, pure and simple.

I have found a copy of the report of the trustees, which brings their business up to the 31st of December [handing report to the chairman].

The CHAIRMAN. I am ever so much obliged to you, Mr. Hill.

Mr. HILL. That is much better than my recollection of those questions, and I think it covers most, if not all, of the important transactions up to the 31st of December last.

The CHAIRMAN. I am very grateful to you.

This report—I shall be delighted to read it later, but I have not the time just now, of course.

They held the stock of this ore company for the benefit of the stockholders of the Great Northern Railway. Is that it, in substance?

Mr. HILL. The ore lands are the substantial property, and they were owned by different companies. The trustees hold the stocks of those companies that own the ore lands, and the trustees hold them in trust for the benefit of the shareholders of the Great Northern Railway Co., as they appeared of the date when the transaction was made. Since that time the shareholders of both companies undoubtedly have made many changes.

The CHAIRMAN. You spoke of the shareholders of the Great Northern Railway. What was the capitalization of that road at the time of the formation of this company and the distribution of these ore certificates?

Mr. HILL. $150,000,000, as I recollect it.

The CHAIRMAN. What part of that $150,000,000 was held by yourself and by the trustees of the Lake Superior Co. (Ltd.), J. N. Hill, James J. Hill, and R. I. Farrington?

Mr. HILL. I could not speak for others than myself. I held, I think, about 100,000 shares.

The CHAIRMAN. Do you know about how many shares your sons held?

Mr. HILL. No.

The CHAIRMAN. Have you any idea?

Mr. HILL. No.

The CHAIRMAN. Not the slightest?

Mr. HILL. Oh, they may have held two or three thousand each.

The CHAIRMAN. Prior to the time it was announced that the ore certificates of the Great Northern Ore Co. would be distributed pro rata among the shareholders of the Great Northern Railway Co., at what were the stocks of the Great Northern Railway selling? What was their market value?

Mr. HILL. I do not recollect.

The CHAIRMAN. To refresh your memory, were they not selling at 117?

Mr. HILL. Oh, they have sold as high as 250.

The CHAIRMAN. Have they not sold as high as 380?

Mr. HILL. I do not recall. I know the stock market is something that does not interest me a great deal.

The CHAIRMAN. At what date was it that this distribution was made?

Mr. HILL. That report will show. I could not speak accurately.

The CHAIRMAN. The trust agreement is of December 7, 1906?

Mr. HILL. That would be it, then.

The CHAIRMAN. Is that the date of the distribution?

Mr. HILL. Yes; that would be the date.

The CHAIRMAN. I will ask you if 90 days prior to this agreement, or prior to the time it was known that these certificates of stock would be distributed, the Great Northern stocks were not selling at about 117?

Mr. HILL. I have not the remotest idea.

The CHAIRMAN. I will ask you if, within 60 days after that announcement was made, and if it was not made in the papers generally, they sold for 380?

Mr. HILL. I have no recollection as to the prices. They are a matter of public record, and can be easily ascertained.

Mr. GARDNER. May I ask a question right there, that perhaps he would remember, Mr. Chairman?

The CHAIRMAN. Certainly.

Mr. GARDNER. At what price did Great Northern ore certificates sell when they were first put out?

Mr. HILL. I do not recall.

Mr. GARDNER. That would be an indication, Mr. Chairman.

Mr. YOUNG. May I ask a question right there?

The CHAIRMAN. Certainly.

Mr. YOUNG. There was a time, was there not, when it was understood, generally, outside, that there was a struggle for the control of the Great Northern, when its stock went to an almost fabulous height for a few days?

Mr. HILL. I do not quite understand what you mean.

Mr. REED. Are you not thinking of the Northern Pacific?

Mr. YOUNG. Perhaps I am. I did not remember the Great Northern going to any such price as 380, unless it was during such a period as that.

Mr. HILL. I do not recall that price, but then, it might be. I do not bother myself very much about the price of stocks in the market, because they are more or less controlled by local conditions in the market.

The CHAIRMAN. Now, taking up these properties, the Wright & Davis properties contained 40 miles of main track, did they not?

Mr. HILL. I said about. I am speaking from recollection. I do not recall exactly.

The CHAIRMAN. You had about the same number of branch lines?

Mr. HILL. I do not know how many. There were a number. I have never been over them. Those logging branches are laid locally, and taken up and moved around.

The CHAIRMAN. The State of Minnesota, I believe, makes a distinction, for purposes of taxation, between raw or agricultural lands, timber lands, and ore lands, does it not?

Mr. HILL. Between lands carrying ore and lands that do not carry ore, you mean?

The CHAIRMAN. Yes; where they are known to contain ore.

Mr. HILL. I think the lands carrying ore are taxed on an ore basis.

The CHAIRMAN. I will ask you if, at the time you purchased this Wright & Davis property, the Wright & Davis lands were not carried on the Minnesota tax books as raw land?

Mr. HILL. I do not know that there was any special regulation at that time. I think that tax provision was subsequent. That is my recollection. I may be wrong.

The CHAIRMAN. You stated yesterday, Mr. Hill, that after the purchase of the Wright & Davis lands you, or your sons, those persons immediately interested, leased about 2,800 acres, was it, additional?

Mr. HILL. Probably.

The CHAIRMAN. At what time were these leases made?

Mr. HILL. I do not recall. I did not make them. They were made at various times.

The CHAIRMAN. About what years?

Mr. HILL. I could not say.

The CHAIRMAN. At what time did you purchase the Wright & Davis land—this $4,000,000 transaction?

Mr. HILL. I think it was in 1897.

The CHAIRMAN. Between that time and the time of making this lease at various times you acquired other leaseholds?

Mr. HILL. Some; and some purchases.

The CHAIRMAN. You leased considerable lands from the State of Minnesota. The mine known as the Hill mine is a State lease, is it not?

Mr. HILL. I do not know.

The CHAIRMAN. What did you pay in royalty on those leases? What was the amount?

Mr. HILL. That I can not say. I think the State minimum was 25 cents. I think that is provided by an act of the legislature, establishing a minimum price of 25 cents.

The CHAIRMAN. And they are usually leased at the minimum price?

Mr. HILL. I do not know.

The CHAIRMAN. Did you pay more than 40 cents a ton royalty for any of the 2,800 acres of land leased?

Mr. HILL. I do not know. I did not make those transactions, and never charged my mind with them.

The CHAIRMAN. Did you not have a material interest in these transactions, a very large interest in their welfare——

Mr. HILL. But I do not carry those figures in my mind, as to what was paid for this lease or that lease.

The CHAIRMAN. Do you not remember at what price you were leasing when you were leasing 2,800 acres?

Mr. HILL. I do not recall. The general price at which leases were made when my connection began with it was about 15 to 20 cents; and it began to rise until it got up to 30 and 40 and 50 cents; and leases made by the State, and held by individuals, were often sold. Leases of property made by individuals were sold to other individuals. The lease, the right to mine, would be sold quite frequently for a large sum. So that the question of royalty cut some figure, but it was not a figure that would establish in any or every case the value that was paid for the ore. Sometimes a man held a lease to mine for 25 cents, and I know of such leases selling as high as half a million dollars; just for the right to mine it.

The CHAIRMAN. Do you not know that, between the time you acquired the Wright & Davis lands and the time you made your last lease of adjacent properties prior to the lease to the Steel Corporation, you never paid more than 40 cents a ton royalty for any ore, however rich, or however favorably located?

Mr. HILL. That would not be true at all.

The CHAIRMAN. Will you tell me when you paid more than 40 cents, and where, and to whom?

Mr. HILL. Under some of those leases the holder would get the entire amount. That is all set out in that report, and we are traveling over ground that is not relevant a particle and will be shown clearly and quickly if you will read the report.

The CHAIRMAN. I must be the judge of the relevancy, Mr. Hill.

Mr. GARDNER. Could not the value of those leases be ascertained by combining the royalty with the bonus paid?

Mr. HILL. There are a great many leases that have been sold for high prices.

Mr. GARDNER. By taking those high prices which are known as the bonus, and calculating the estimated tonnage, and adding the royalty, would not that give the value?

Mr. HILL. Yes; but without knowing what the tonnage in that property was I would be quite unable——

Mr. GARDNER. I said taking the estimated tonnage at the time the lease was transferred.

Mr. HILL. Does that refer to any particular piece?

Mr. GARDNER. To quite a number that we have figured on; that is all.

Mr. HILL. I have not any recollection or information of any of those transactions.

Mr. GARDNER. I am not saying this about your parcels, but I mean in leases in general.

Mr. HILL. That would undoubtedly show what the party paid, if the quantity of ore was known.

Mr. GARDNER. I say, on the estimated tonnage at the time, it would show what the purchasing party and the selling party estimated to be the value of that ore per ton. That is what I wanted to get at. Whether it was a true method of calculating.

Mr. YOUNG. They made a good many pretty bad guesses. Some of them a good deal too high and some of them a good deal too low.

Mr. HILL. I think that, as a rule, the mines held out all they estimated.

Mr. YOUNG. But I am speaking of value.

Mr. HILL. I do not know.

Mr. YOUNG. You would not think that the royalty and the bonus paid was any measure of the value of the property to-day, would you?

Mr. HILL. No.

Mr. GARDNER. I am speaking of the time the transaction was made.

Mr. HILL. It is hearsay with me. I never made a lease of any of the property. It is all hearsay, just as it might come to me. My testimony in regard to it would be of very little accurate use.

The CHAIRMAN. Mr. Hill, you spoke of the Mahoning mine as being developed and the ore exposed?

Mr. HILL. Yes, sir.

The CHAIRMAN. It was known and valuable at the time you purchased this property?

Mr. HILL. I saw it before making the purchase.

The CHAIRMAN. The Mesabi Range at that time was pretty well explored, was it?

Mr. HILL. No; I should say not. Portions of it east——

The CHAIRMAN. St. Louis County?

Mr. HILL. I am not sure of the name of the county, but the Mesabi Range is well known, and the name describes it very well. There is not another. And the eastern portion, I should say the eastern third of the range, was fairly well explored.

The CHAIRMAN. How long was it after the purchase of the Longyear and the Wright & Davis properties in 1891 until the western half was explored?

Mr. HILL. The western half was not largely explored until after the lease to the steel company.

The CHAIRMAN. Then it was explored by the Steel Corporation?

Mr. HILL. Yes, sir. My recollection is that they agreed to keep a certain number of drills at work and explore it.

The CHAIRMAN. At the time, then, that the Steel Corporation entered into this lease, it was a mere estimate by the lessor and lessee as to the probable amount, location, and character of the ore which they agreed to take?

Mr. HILL. There were tracts that had been drilled, and experts have their own way of estimating the amount of ore. I am not an expert, but they have their own way of doing it.

The CHAIRMAN. Were those tracts on your property or were they on adjacent properties, that had been drilled?

Mr. HILL. Mainly on adjacent property. I think they had drilled some of the Wright & Davis properties. Then, some wells had been dug.

The CHAIRMAN. Do I understand they struck ore?

Mr. HILL. Yes.

The CHAIRMAN. This Mesabi Range at that time had been explored by various steel companies, as I understand. The Cambria had holdings there?

Mr. HILL. Yes; but this Mesabi Range covers a long stretch of country. I do not know how much the Cambria explored, or practically how much any other company explored.

The CHAIRMAN. All the great steel companies had more or less ore in this Mesabi Range at the time of which you are speaking, had they not?

Mr. HILL. They have now, but I do not recall when they acquired it. They have been picking it up from time to time.

The CHAIRMAN. You were there on the range, were you not? You had holdings all through it, east and west?

Mr. HILL. But I did not ascertain who was buying other lands.

The CHAIRMAN. How far is it, for instance, from the mine known as the Hill mine to the Mahoning mine?

Mr. HILL. I do not know where the Hill mine is. I do not know within 5 miles of where it is.

The CHAIRMAN. But it is many times 5 miles between——

Mr. HILL (interposing). I do not know where it is. I know it is out toward the west end of the range, but where it is I do not know.

The CHAIRMAN. And the Mahoning is on the eastern portion of the range?

Mr. HILL. No; it is about the middle. You may say it is about the middle.

The CHAIRMAN. How long is that range?

Mr. HILL. Sixty miles, I should think.

The CHAIRMAN. There were your lands, and there were the Longyear-Bennett holdings?

Mr. HILL. Longyear and Bennett held jointly with Wright & Davis, and I think Longyear and Bennett have held some of their own, in which Wright & Davis had no interest.

The CHAIRMAN. Were there any other large holdings on the Mesabi Range, except those of Longyear and Bennett's, that were not the property of various steel companies?

Mr. HILL. Oh, yes.

The CHAIRMAN. Who had any extensive holdings there besides you?

Mr. HILL. Different lumbermen.

The CHAIRMAN. Were they under lease, or were those lumbermen just holding until the ore was sold?

Mr. HILL. The lumbermen acquired the land for its timber—some large tracts from the State of Minnesota.

The CHAIRMAN. The State of Minnesota had the fee; but were there any large ore holdings in that region subject to lease except your holding and that of Longyear and Bennett?

Mr. HILL. Subject to what lease?

The CHAIRMAN. Subject to anybody's lease; lands that were not then leased by somebody, at the time you made this contract with the steel company.

Mr. HILL. I could not answer that question, because I have not the information. They were lands owned by Mr. Walker; but we

acquired a half interest in the Walker lands. We acquired the ownership of the fee of half of the Walker lands before the lease was made. A number of men owned land up there; a great many.

The CHAIRMAN. Mr. Herbert Knox Smith says that the Steel Corporation had 75 per cent of that range either in fee or under lease.

Mr. GARDNER. Of the Lake Superior mines?

The CHAIRMAN. Of the Lake Superior region.

Mr. HILL. At what time?

Mr. GARDNER. At the present time.

Mr. HILL. That would be including the lease of the Great Northern lands. I should think 75 per cent would be about right, including the Great Northern lands.

The CHAIRMAN. Who held the other 25 per cent?

Mr. HILL. A great many people.

The CHAIRMAN. Jones and Laughlin?

Mr. HILL. Yes.

The CHAIRMAN. The Republic Iron & Steel Co.?

Mr. HILL. Yes.

The CHAIRMAN. The Cambria Co.?

Mr. HILL. Yes.

The CHAIRMAN. The Pennsylvania Iron & Steel Co.?

Mr. HILL. The Lackawanna.

The CHAIRMAN. The Lackawanna?

Mr. HILL. Yes; and Labell and Corrigan and McKinney.

The CHAIRMAN. Did the Midvale Co. use any up there, or do they use Cuban ore?

Mr. HILL. I do not recall. Pickans-Mather and the Hannas and Rogers, Brown & Co., and the International Harvester; there are a great many of them.

Mr. GARDNER. May I ask a question at that point, Mr. Chairman?

The CHAIRMAN. Certainly.

Mr. GARDNER. How about the 26,000 acres of the so-called Hill ore lands that were not leased to the United States Steel Corporation?

Mr. HILL. They are scattered, and most of them are outside of the probable ore belt.

Mr. GARDNER. That is to say, they probably would not be included in Herbert Knox Smith's estimate, in your opinion?

Mr. HILL. I do not think they would be included for ore in anybody's estimate. There might be some ore on them.

Mr. REED. Have they been explored?

Mr. HILL. Not that I know of; not unless the Indians have done it.

The CHAIRMAN. Your ore properties and the Longyear and Bennett ore properties were leased at the same time to the Steel Corporation?

Mr. HILL. Under the same lease.

The CHAIRMAN. Whose ores has the Steel Corporation mined; yours or the Longyear and Bennett ores? Whose have they taken out?

Mr. HILL. There were some other owners besides Longyear and Bennett.

The CHAIRMAN. Yes.

Mr. HILL. And they took some out of our lands, and they took out some of the Walker lands, in which we owned half, and some of the properties in which the Great Northern interest was small; it may be that the entire royalty went to the owners of the property. Those are details. I am not a trustee. and I only speak from general knowledge.

The CHAIRMAN. You spoke of the Walker lands?

Mr. HILL. Yes.

The CHAIRMAN. Were they turned over at this time with this lease?

Mr. HILL. Half of them. That is an undivided half. The steel company owns the undivided half.

The CHAIRMAN. And the other undivided half is leased? What was the extent of that ore holding?

Mr. HILL. I do not know.

The CHAIRMAN. Was it 100 acres or 1,000 acres? Approximately?

Mr. HILL. It might be 3,000 or 4,000. There was a lot of that. That is outside of the probable ore belt.

The CHAIRMAN. Now, to go back a little. Have they mined any of the Longyear and Bennett ores?

Mr. HILL. I do not know.

The CHAIRMAN. Do you not know that your company has been continually paying minimums to Longyear and Bennett?

Mr. HILL. That report I gave you will give the details.

The CHAIRMAN. I have not time to read that.

Mr. HILL. My recollection does not cover it. I was not a party to the transaction after the lease—after the protocol of the lease was made.

The CHAIRMAN. Speaking generally, I mean. I am not asking for definite information.

Mr. HILL. If I did know, I would cheerfully answer.

The CHAIRMAN. Oh, certainly. I am not questioning your veracity at all, but I am trying to refresh your memory. Is it not true, Mr. Hill, that this ore company must pay to Longyear and Bennett a certain amount of money each year in the way of royalty in the event no ores are mined by the steel company?

Mr. HILL. I think that is true.

The CHAIRMAN. In other words, the Steel Corporation agreed the first year to take out 750,000 tons, and a certain proportion of that was to be taken from the Longyear and Bennett properties, under the lease, and if it was not taken out they were to be paid a royalty for that proportion?

Mr. HILL. I think there is no such condition in the lease.

The CHAIRMAN. How does it happen that you pay this minimum to Longyear and Bennett?

Mr. HILL. I think that is between the trustees and Longyear and Bennett, not in the steel company's lease.

The CHAIRMAN. Is it not true that they have paid royalties to Longyear and Bennett every year since this lease has been in effect, for ores that never have been taken out, millions of dollars?

Mr. HILL. Royalties on ores have been paid to Longyear and Bennett, and that is in the report that I brought here this morning and handed up to you, giving the information up to the 31st of December; and it is a great deal better than my rambling guess or recollection, because that report is accurate.

The CHAIRMAN. I will look it up in the report. I have had no time to read it, as yet.

Mr. HILL. I understand that. You did not have it. I had it in my pocket, as I brought it up here this morning.

The CHAIRMAN. I am delighted to get it, and I shall take much interest in reading it as soon as I have an opportunity to do so.

Mr. HILL. I am glad to be able to give it to you.

The CHAIRMAN. I am much interested in that proposition, and I shall take pleasure in reading it.

Why is it that the Steel Corporation has mined your ores practically exclusively, as I understand from very reliable authority, and has not mined the ores of Longyear and Bennett?

Mr. HILL. I do not know, but I suppose I could give you an opinion; and it would be nothing more than an opinion—that is, that it was more convenient for them to take the properties they did.

The CHAIRMAN. The Longyear and Bennett properties are an underground proposition, are they not?

Mr. HILL. That I do not know.

The CHAIRMAN. Are there any open-pit mines on the Longyear and Bennett property?

Mr. HILL. I do not know of any mines being opened on them at all.

The CHAIRMAN. Are there any of them where you could operate an open-pit mine?

Mr. HILL. I feel quite sure there are.

Mr. REED. Does the chairman expect to offer that report in evidence?

The CHAIRMAN. I expect to read it.

Mr. REED. And then decide?

The CHAIRMAN. Yes. If it is competent and relevant, I shall certainly offer it.

Mr. REED. You are asking Mr. Hill's opinion as to why we did a certain thing that it has not been proved we did do; and I wondered if you expected to show by that report that we did do it.

The CHAIRMAN. I will ask you, is not that true?

Mr. REED. I do not know. That is the only thing I do not know. [Laughter.]

The CHAIRMAN. That is the first time I have caught you napping. [Laughter.]

Mr. YOUNG. Mr. Longyear is very easy to get at.

The CHAIRMAN. I suppose it is in this report, and we can find it from the report.

I understand, however, that that was generally known.

Mr. Hill, there is a great deal of this property leased by you to the Steel Corporation that is in the western portion of the Mesabi Range, is there not?

Mr. HILL. A large part of it is west of the center.

The CHAIRMAN. A good part of your holding is in Itasca County?

Mr. HILL. I do not know the names of the counties.

The CHAIRMAN. Is this ore in the western portion of the Mesabi Range transported directly from the mine to the dock?

Mr. HILL. Some of it is washed.

The CHAIRMAN. Explain that.

Mr. HILL. There is an amount of sand in it, and there is a very large washing plant there, and some of it is washed, to wash the sand out. It is called concentration.

The CHAIRMAN. The ore is physically mixed with large amounts of silica, and that has to be washed out?

Mr. HILL. That has to be washed out mechanically, yes.

The CHAIRMAN. How much ore in that western portion is it necessary for you to dig out of the ground; how much of this silica and iron is it necessary to take out of the ground in order to get a ton of merchantable concentrate?

Mr. HILL. I have not the remotest idea.

The CHAIRMAN. In round numbers, do you not have to mine about 2 tons to get 1 ton?

Mr. HILL. I should think not. I should think that loss would be somewhere from 20 to 25 per cent; but that is only my judgment, and it is only based on impressions that I have got from time to time, without any accurate knowledge.

The CHAIRMAN. Who pays for this process of concentration; for this washing?

Mr. HILL. I suppose the people who own it and carry it on.

The CHAIRMAN. I mean, does the lessee wash this ore and pay for that process of washing before you determine his royalty?

Mr. HILL. He pays the royalty, if I recollect right, on the mineral content of the concentrate.

The CHAIRMAN. And he carries on the process of washing the ore as well as the digging?

Mr. HILL. Yes.

The CHAIRMAN. At his own expense?

Mr. HILL. Yes.

The CHAIRMAN. Has the Steel Corporation constructed any apparatus or plant of any kind for that purpose?

Mr. HILL. There is a very large plant there, at the place called Coal Range or near Coal Range.

The CHAIRMAN. Do you know what that plant cost?

Mr. HILL. I do not.

The CHAIRMAN. It is a very large plant, is it not?

Mr. HILL. Yes.

The CHAIRMAN. And cost several million dollars, did it not?

Mr. HILL. I do not know what it cost.

The CHAIRMAN. Do you have to wash the ores on the eastern part of the Mesabi Range or in the center?

Mr. HILL. I do not know. I have never mined any ore, and I do not know.

The CHAIRMAN. You know something, I presume, of the large mines on that range, those that are well known, generally, the famous mines? You are acquainted with the more famous of those mines on the Mesabi Range, are you not?

Mr. HILL. I know some of them. I have been up and down the range two or three times.

The CHAIRMAN. Do you know the Spruce mine?

Mr. HILL. I do not.

The CHAIRMAN. That is a mine owned by the United States Steel Corporation, is it not?

Mr. HILL. I do not know it.

The CHAIRMAN. Do you know anything about the Sauntry mine?

Mr. HILL. Yes; I know where it is located.

The CHAIRMAN. Where is it located?

Mr. HILL. It is located near the village of Virginia.

The CHAIRMAN. This Sauntry mine was formerly owned by the American Steel & Wire Co., was it not?

Mr. HILL. It was bought by Gates, Sellwood & Edenborn.

The CHAIRMAN. About what is the estimated tonnage, 60,000,000?

Mr. HILL. I should think it would be estimated at somewhere from forty to forty-five million tons.

The CHAIRMAN. Do you know when Mr. Gates got possession of that mine?

Mr. HILL. I remember the time, but I could not give the date. It was a good many years ago.

The CHAIRMAN. That mine was acquired in——

Mr. HILL (interposing). In 1898, I think.

The CHAIRMAN. I think it was later than that, probably; 1899, I think. What is the metallic content of that mine? Is it high-grade or low-grade ore?

Mr. HILL. It varies, as most of them do; I suppose there is some very low-grade ore in that mine.

The CHAIRMAN. Is there some good ore in it?

Mr. HILL. Yes; I think they shipped ore.

The CHAIRMAN. Is it a Bessemer or non-Bessemer ore?

Mr. HILL. We carried ore from that mine, and it did not come up to the specifications of sale. I do not remember what the transaction was, except that there was trouble, and that they stopped shipping and closed the mine and said that the ore was not sufficiently high grade to fill the bill.

The CHAIRMAN. Do you know whether it is a Bessemer or not?

Mr. HILL. I do not.

The CHAIRMAN. It is an open pit mine, is it?

Mr. HILL. Yes; I have been in the mine.

The CHAIRMAN. It is already stripped?

Mr. HILL. Only a portion of it.

The CHAIRMAN. How much of it is stripped?

Mr. HILL. I do not know. Apparently three or four hundred feet wide and a quarter of a mile long.

The CHAIRMAN. Do you know whether that mine is operated now or not?

Mr. HILL. I do not.

The CHAIRMAN. Did you never make any investigation about that?

Mr. HILL. No, sir.

The CHAIRMAN. Do you know what they paid for that mine; what royalty Mr. Gates paid for that mine?

Mr. HILL. I think they bought the fee.

The CHAIRMAN. Do you know what he paid for it? He bought it outright; that is right.

Mr. HILL. I think so. It is only a matter of recollection, however.

The CHAIRMAN. Did he not buy all the ore in that magnificent mine, an open pit mine with a railroad running down into it, mined with a steam shovel——

Mr. HILL. The railroad was not running down into it at that time.

The CHAIRMAN. Well, it was a very small distance away; it was right at it, practically speaking; and he bought all that ore for a cent a ton, did he not?

Mr. HILL. No.

The CHAIRMAN. I was under that impression. I find here in No. 1 Herbert Knox Smith's report:

All available evidence indicates that prices of ore bought in fee in the late nineties seldom amounted to more than a few cents per ton on the estimated tonnage acquired.

Mr. REED. From what page are you reading, Mr. Chairman?

The CHAIRMAN. I have not the page. It is under that ore-lease business. As I read you will catch it. You can look it up under John W. Gates, or the Sauntry mine, in the index, or under the American Steel & Wire Co. [Continues reading:]

As one instance, it may be noted——

Mr. GARDNER. At the bottom of page 208, in the last paragraph, appears that statement:

In view of this emphatic statement, and in view of the preceding evidence that large deposits of ore were purchased in fee as late as in 1899 and 1900 for a few cents per ton, * * *.

That is at the bottom of page 208, the last paragraph.

It comes in in two places, but there more fully.

The CHAIRMAN (continuing reading):

As one instance, it may be noted that the American Steel & Wire Co. bought the Sauntry mine in 1899 for $700,000. This mine was estimated at the time to contain anywhere from 25,000,000 to 40,000,000 tons of ore. On the lower estimate of tonnage the price was less than 3 cents per ton and on the higher basis less than 2 cents per ton. A later estimate, based on expert examination, placed the tonnage at over 80,000,000 tons, which would indicate a price of less than 1 cent per ton. The reported prices paid for several other mines transferred in fee in 1899 and 1900 likewise average only a very few cents per ton on the estimated tonnage.

The following significant statement from a formal brief filed by the delegation from St. Louis County in the House of Representative of Minnesota (the great bulk of the developed iron-ore deposits in Minnesota being in St. Louis County) as late as 1909 may be cited:

"The cheapest sales of fee ore we ever knew were less than 1 cent per ton; the highest we ever knew were for 15 cents per ton. There may have been sales at a higher price, but we have never known of one, and, upon inquiring, learn of none."

Further along the Bureau of Corporations' report says:

An estimate of 700,000 tons for the total ore holding of the Steel Corporation in 1901 must be regarded as liberal. Indeed, the corporation in its estimate of 1902 reckoned on this tonnage, its valuation of $700,000 being at the rate of $1 per ton. It has since been admitted that this estimate made no allowance for the fact that a large part of the ore was simply leased and not owned in fee. The allowance of $1 per ton for even the fee ore was unquestionably extravagant.

Supposing that all the ore had been owned in fee in 1901 (which was not the case), and allowing as much as 10 cents per ton as a fair average value, the total value of a deposit of 700,000,000 tons would have been $70,000,000; at an average of 5 cents per ton, only $35,000,000. Adding $9,000,000 to cover improvements to this mining property in 1901, this being approximately the book investment in these improvements (shafts, stripping, equipment, buildings, etc.), the indicated valuation of the entire property, based upon such fee prices, would range from $40,000,000 to $79,000,000. Even allowing as much as 15 cents per ton for the ore, which figure, however, is discredited by the statement of the mining interests above quoted, the total indicated value of the property, including improvements, would be only $114,000,000. However, these results are all on the assumption that all the ore was owned in fee, whereas at least one-half of it was simply leased.

I find in this report, and I quote it from memory, that Mr. Gates and other people, in speaking of the great value of the Sauntry mine, stated it was worth $3,000,000.

You have had experience there; do you know whether that statement of Mr. Smith's with reference to this Sauntry mine was true of iron ores at that time on this range?

Mr. HILL. I could not testify on that subject.

I started to read that report once, and I made up my mind that it was so far from the facts that I did not complete it; I did not finish it.

Mr. REED. I might call the attention of the chairman to the fact that Mr. Smith estimates the tonnage of that mine on page 27 of his report at from twenty-five to forty millions; and on page 28 at eighty million, and on page 92 at from twenty-five to seventy-five millions. He seems slightly uncertain as to just how much ore there is in the mine.

The CHAIRMAN. It would not make much difference——

Mr. REED. It does not seem to make any difference to him, Mr. Chairman.

The CHAIRMAN (continuing). As far as estimating the value to be from 1 to 3 cents a ton is concerned.

Mr. GARDNER. I am interested in that; to what pages do you refer, Mr. Reed?

Mr. REED. Pages 27, 28, and 92. I think there are some more. I will look for them.

Mr. GARDNER. This is the value of the Sauntry mine that you are referring to?

Mr. REED. The tonnage of the Sauntry mine.

Mr. BARTLETT. You refer, now, to this first report of the Commissioner of Corporations?

Mr. HILL. The first one I saw; I think it was the first one. I have only seen one, in fact.

Mr. BARTLETT. Is it not a fact that the Steel Corporation furnished to the agents of the Government, the employees of the Bureau of Corporations, all the assistance in their power to give them this information? It has been stated here by the officers of the corporation that it cost them large sums of money, and I do not doubt it did, to aid the Government in getting this information.

Mr. REED. We furnished the facts, Judge Bartlett; not the conclusions.

Mr. BARTLETT. I understand that; I said the information; I did not say the conclusions.

Mr. YOUNG. You probably did not furnish the facts as to the Gates property, did you? Oh, you had acquired that at the time?

Mr. REED. We got that mine with the American Steel & Wire Co.

Mr. YOUNG. Yes; I know you did.

Mr. REED. But I do not believe we furnished all these varying estimates of tonnage.

The CHAIRMAN. How did you happen to send that memorandum in there? Was it by accident or design?

Mr. GARDNER. May I ask a question? As these were published, there was first published a summary which was a pamphlet about as thick as that [indicating] which was merely a synopsis of part 1. Subsequently that synopsis was included in a volume of that thickness [indicating], containing the material on which the synopsis was made out. Do you recollect whether or not the pamphlet which you started to read was about that thickness?

Mr. HILL. I never saw the larger one.

Mr. GARDNER. As to the inaccuracies which you observed, were they with reference to these ore leases or were they in reference to the whole subject?

Mr. HILL. I did not read it with the greatest care. I started to read it, and I concluded from what I knew, from my own knowledge of the situation, that it was not worth reading; and I dropped it.

Mr. BARTLETT. It did not accord with your knowledge of the facts?

Mr. HILL. It did not accord with my knowledge of the facts.

Mr. GARDNER. Mr. Chairman, this is immensely important, as you know. The whole thing, or very largely, hinges on this question; and if this witness is to be here more than a day or two, and has the time, I, for one, would like very much if he could give us his ideas of the inaccuracies which he finds, because this is a pamphlet which appears to be logical and founded on information.

Hr. HILL. I can state some of the impressions, for instance——

Mr. GARDNER (interposing). I did not mean at the present moment, Mr. Hill. I did not want to interrupt the chairman to go into that matter at this time.

Mr. HILL. But I might clear the point a little.

If I recollect what I read, the value is attempted to be set at the price of 10, 12, or 15 years ago. To go back a little further, I suppose that land was bought from the Indians for a few cents an acre.

Mr. GARDNER. Quite so.

Mr. BARTLETT. Possibly for a gallon of whisky and a red handkerchief, or something like that.

Mr. HILL. And there was a time when the entire range could have been controlled for very little. Possibly when it was bought for timber it did not cost a million dollars.

Mr. GARDNER. We quite understand that, Mr. Hill. Acreage on the St. Johns River, Fla., was worth nothing a few years ago. Now it is worth a thousand dollars.

Mr. HILL. The figures based on what the property was transferred for 15 years ago would be no criterion for establishing its value to-day. Fifteen years ago, if I remember right, Mr. Smith had the rate fixed by the Legislature of the State of Minnesota—the minimum rate of 25 cents.

Mr. GARDNER. But there is infinitely more than that in the report, Mr. Hill.

Mr. HILL. I only mentioned that as one reason why, if the State of Minnesota was making these leases at not less than 25 cents, it would be very difficult to establish as a fact that the ore was only worth 2 or 3 or 5 cents.

The CHAIRMAN. Right at that point, if you will permit me, Mr. Gardner—I do not want to interrupt you, but I want to get this definite.

Something has been said about the Indians, and one thing and another. Do you know of any mine or any ore on the Mesabi Range which was ever leased by anybody, ore containing 59 per cent of iron content, for over 40 cents a ton? If you know these things are inaccurate, you know about what ores were leasing for; otherwise you could not know that Mr. Herbert Knox Smith was not setting out the truth. Now, tell us.

Mr. HILL. I know what people have told me.

The CHAIRMAN. What did they tell you?

Mr. HILL. That they paid as high as 65 cents and 75 cents.

The CHAIRMAN. Prior to the time of this lease to the Steel Corporation?

Mr. HILL. No; I would not say it was prior to that, but it was some time ago.

The CHAIRMAN. You can buy a loaf of bread in this town now for 5 cents; but if I should buy 99 per cent of all the bread in this town, you would have some difficulty in getting the other 1 per cent for 5 cents a loaf. Since that lease was made there is no telling what ores would lease for if anybody had any to lease.

Mr. YOUNG. Let me interject an incident. You have been referring to the Mesabi Range, but on the Vermillion Range some gentlemen with whom I was associated and myself, many years before the date of this Hill lease, leased the Zenith mine on the Vermillion at 50 cents a ton; in the early eighties. Some gentlemen with whom I was associated and myself leased a very low grade ore on the Marquette Range at 50 cents a ton, and just the other day I ran across the old option under which I got that. I have it in my possession. These prices vary with the condition of the iron and steel industry.

The CHAIRMAN. But is it not quite true that the Vermillion Range is practically owned, with the exception of one or two forties, that are owned by Leonidas Merritt and St. Clair, I believe his name is, and one or two others; that 99 per cent of all the ores on the Vermillion Range are to-day owned or leased by the United States Steel Corporation?

Mr. YOUNG. No. Section 30 is quite a mine, but a very large proportion of it at the time of which I am speaking was long before the Steel Corporation was organized at all.

The CHAIRMAN. Is not that true, that the Vermillion ores, the old ores, as they are called, are not only higher in iron content, but that they are of a different texture, and that they are absolutely necessary in these blast furnaces to be mixed with the finer Misabi ores, to prevent these explosions and one thing and another; like Norwegian iron, their peculiar quality puts them in a class by themselves?

Mr. YOUNG. Oh, no. The time once was when the furnace men did not know how to use Mesabi ores alone; and when they came into the market they could only use 15 or 20 per cent in the furnace successfully. Now, however, they are making steel with nothing but Mesabi ores.

Mr. HILL. Yes; that is right.

Mr. YOUNG. That has been the condition for a long time. They do mix them.

The CHAIRMAN. Because they can not get the old range ore.

Mr. GARDNER. I did not intend, Mr. Chairman, to be the means of starting all this digression; but if you will pardon me for a moment, I want to ask this:

On the assumption that Mr. Hill will be here again, I think it would be very helpful to the committee if he would read that report carefully through; it is a most important thing for us to get at the truth of it; perhaps it is the most important in the whole realm of our discussion.

Mr. HILL. As far as the facts are concerned, I have no reason to believe that he did not state the facts; but his conclusions were so far from my knowledge of the conditions that I did not care to read it.

Mr. GARDNER. Permit me to mention this: He is trying to show two different things in that synopsis in regard to the ore situation. One is the value of ores in 1901, when the Steel Corporation was formed, with a view to ascertaining whether or not there was water in the stock in the valuation. That is one of the objects which he is trying to show. The other is: He is trying to ascertain the value of ores at the time of the Hill lease. Those are two entirely separate and distinct propositions.

I think, bearing those facts in mind, and what he is trying to show, taking the three different methods by which he tries to show it. First, the prices paid by constituent companies prior to the formation of the Steel Corporation; second, prices paid by the Steel Corporation itself subsequent to that formation; and third, an estimate of value based on royalties and bonuses, you will see that it is quite a remarkable analysis.

I do not know a thing about your business, but I consider that a remarkable analysis. I started in without fully grasping what he was trying to show, and somewhat prejudiced against book learning, and investigations by persons who did not know the business, and I came out, after reading that, with a decided respect for the synopsis. I would ask you to read that thoroughly before you leave here, if you can, and then discuss it with us and show us wherein it is wrong, bearing those two things in mind—first, that he is trying——

Mr. HILL. To begin with, I am not an expert, and I have not the time. I could satisfy myself and I might not be able to satisfy the committee. There are experts who can give that information.

Mr. YOUNG. You know the mining men who have developed the Mesabi Range, do you not?

Mr. HILL. I do.

Mr. YOUNG. What would you say to these as the most representative, having the most knowledge of the mining industry in Minnesota, from the beginning——

Mr. HILL. Who would be?

Mr. YOUNG. I was going to name them.

Mr. HILL. I beg your pardon.

Mr. YOUNG. Starting with G. H. Bacon, Joseph Sellwood, W. J. Olcott, T. F. Cole. Do you think there are any men who know any more about the ore business on the Mesabi Range than those four gentlemen?

Mr. HILL. I would take Joe Sellwood's and Tom Cole's statements in preference to any other men I know; and Capt. Harry Roberts—I do not know whether he is alive yet or not; I have not seen him for two or three years. He is another good man. They have all given their lives, or 30 or 40 years of their time, on the north and south shore, and are familiar with it, because it was their business. They did nothing else.

Mr. YOUNG. I think if it is worth going to the bottom of that matter, we should get men who really worked on the ranges.

Mr. HILL. Their information would be as nearly accurate as any human information you could get; much more so than mine, because, although I have been on the range three or four times, I am not a miner, or a geologist.

The CHAIRMAN. Do you know, Mr. Hill, about the Vermillion Range, and who owns the mines up there? Do you know whether

there is anybody except the Steel Corporation who owns any ore up there?

Mr. HILL. I do not.

The CHAIRMAN. Are you acquainted with the large mine known as the Monroe-Tener mine?

Mr. HILL. I know a mine called the Monroe.

The CHAIRMAN. That is the same mine.

Mr. HILL. I know there is such a mine.

The CHAIRMAN. Who owns it?

Mr. HILL. I do not know.

The CHAIRMAN. Has the Steel Corporation got control of it? Is that your understanding?

Mr. HILL. I think the fee of that was leased to Corrigan, McKinney & Co. by whoever owned it. I think Corrigan, McKinney & Co. either owned it or have sold the lease to the steel company.

The CHAIRMAN. In this report of the iron-ore mines in St. Louis County, Minn., issued by the auditor's office, it gives the operating company as the Oliver Iron Mining Co. and the Monroe-Tener mine.

Mr. HILL. I am not very familiar with that.

The CHAIRMAN. To go back to this other mine—the Sauntry mine—what is the depth to which the earth has been stripped? Do you know the depth of the stripping?

Mr. HILL. I do not know; but from my recollection of the surface, I think it would vary——

The CHAIRMAN. About 70 or 80 feet?

Mr. HILL. No; I should not think it would be as deep as that. Probably 25 to 40 feet. It might be more.

The CHAIRMAN. The Monroe mine is an open-pit mine?

Mr. HILL. Yes; I think that is an open-pit mine. I am not familiar with many of these mines?

The CHAIRMAN. What is the depth below the surface there?

Mr. HILL. I have not the remotest idea.

The CHAIRMAN. How many tons, approximately, are there in that mine?

Mr. HILL. I do not know.

The CHAIRMAN. It is over forty or fifty million tons, is it not?

Mr. HILL. I should think that would be an overestimate.

The CHAIRMAN. Thirty-five or forty million tons?

Mr. HILL. I do not know.

The CHAIRMAN. That mine is adjacent to and tapped by what road? Do you know what roads have tracks running into the Monroe mine?

Mr. HILL. I think the Great Northern, and maybe the steel company.

Mr. REED. The Duluth, Missabe & Northern has tracks to that mine, and the Great Northern.

The CHAIRMAN. Two roads run into that mine. Do you know the character of the ore in that mine?

Mr. HILL. I do not.

The CHAIRMAN. Do you know the Norrie or Norris mine, a famous mine in that region? Do you know anything about that?

Mr. YOUNG. You say the Norris mine?

The CHAIRMAN. Yes.

Mr. HILL. There is a Norrie mine down on the south shore of Lake Superior, down in Wisconsin. Isn't that right?

Mr. YOUNG. The Norrie is in Michigan.

Mr. REED. On the Gogebic Range.

The CHAIRMAN. Yes. So many of these Frenchmen do not sound the "s." But I know this Norris mine——

Mr. YOUNG. There is no "s" in this Norrie mine. It is spelled N-o-r-r-i-e.

The CHAIRMAN. This one I am speaking about has an "s" on it.

Mr. YOUNG. This Norrie is a down-east Yankee.

The CHAIRMAN. I am not after the Michigan mines now.

Mr. YOUNG. And it is a good one.

The CHAIRMAN. Do you know the depth to which it is necessary to strip the Norris mine?

Mr. HILL. I do not know anything about it. I did not know there was such a mine.

The CHAIRMAN. You are acquainted with the Hull-Rust mine, of course?

Mr. HILL. I have seen it. It is right alongside the Mahoning.

The CHAIRMAN. Is it stripped now?

Mr. HILL. Oh, they are mining in a large way there. I saw it within a year.

The CHAIRMAN. To what extent is that mine stripped; how many acres?

Mr. HILL. I have no idea. It is quite large.

The CHAIRMAN. There are over a hundred acres stripped there, are there not?

Mr. HILL. I should say not.

The CHAIRMAN. Are there not at least 340 stripped there entirely?

Mr. HILL. I can only state from recollection and the impression that I got looking at it. I should say that probably 50 or 60 acres were stripped.

The CHAIRMAN. To what depth is it necessary to do that stripping?

Mr. HILL. I do not know.

The CHAIRMAN. Seventy feet?

Mr. HILL. The overburden, you mean, is 70 feet?

The CHAIRMAN. Yes.

Mr. HILL. No; I should not think it was.

The CHAIRMAN. What road taps this Hull-Rust mine?

Mr. HILL. The Duluth, Missabe & Northern.

The CHAIRMAN. The tracks are laid in that mine, are they not?

Mr. HILL. I think so.

The CHAIRMAN. Do you know to what extent this mine is owned by the United States Steel Corporation? It has the lease, has it not?

Mr. HILL. I do not know.

Mr. REED. That is so.

The CHAIRMAN. The Steel Corporation also owns a one-eighth interest in the adjacent mine, the Mahoning?

Mr. REED. My information is it owns the one-fifth interest.

The CHAIRMAN. Which it acquired through the Sharon Iron & Steel Co.?

Mr. REED. I think so.

The CHAIRMAN. Do you know whether that mine has been operated since the Hill ore lease was consummated, to any extent?

Mr. HILL. I think it was opened since the lease.

The CHAIRMAN. How about the Hull-Rust?

Mr. HILL. I remember when the Hull-Rust was covered with stumps and trees.

The CHAIRMAN. Is it not true that you can easily produce out of this mine 5,000,000 tons a season, and that the maximum tonnage produced from that mine since this lease does not exceed half a million tons? Is it not true that the mine is practically abandoned now?

Mr. YOUNG. The Hull-Rust?

The CHAIRMAN. Yes, sir. I have been on it, and I know what I am talking about.

Mr. YOUNG. I am not denying that. I am asking for information.

Mr. HILL. You say that the Hull-Rust is abandoned?

The CHAIRMAN. Yes; practically not used. Now and then you see a stray engine in there.

Mr. HILL. The last time I was there, which was, I should say, some time in August or September, it was a very active and busy place.

The CHAIRMAN. Do you know the amount of ore they are taking out of that mine?

Mr. HILL. No.

The CHAIRMAN. Do you know the number of tracks that are laid there?

Mr. HILL. No, sir.

The CHAIRMAN. Are they not running circular tracks, concentrate tracks, something like 50 miles of track in those 2 mines, the Mahoning and the Hull-Rust?

Mr. HILL. I should say there might be 5 miles.

The CHAIRMAN. Five miles, then. Is it not 3 miles around that mine, Mr. Hill?

Mr. HILL. I think that is an oval shape.

The CHAIRMAN. Yes.

Mr. HILL. Probably it is three-quarters of a mile by half a mile.

Mr. YOUNG. I have here the iron ore manual, by Rukard Hurd, the secretary of the Tax Commission of Minnesota.

He states here, on page 48, that the shipments from Hull-Rust in 1910 were 3,189,975 tons; that the prior shipments were 12,390,506.

The CHAIRMAN. What year is that that you are giving me?

Mr. YOUNG. I gave you the figures for 1910, and then the prior tonnage. And he says the total shipments to date have been 15,580,481.

Mr. REED. That is a good deal to come out on a stray engine.

Mr. YOUNG. That is up to the beginning of 1911.

The CHAIRMAN. Now give it to me for 1911.

Mr. YOUNG. It is not here.

The CHAIRMAN. That is what I am talking about. I was up there, and I went through that mine, and the people in the town talked, about it, and there was very little work going on. I am speaking about what I saw.

Mr. REED. At what season was the chairman there?

The CHAIRMAN. In August. But I shall have other evidence on that. I do not want to testify in the case.

Mr. YOUNG. It is not the only mill that has been idle the last 12 months.

Mr. HILL. No.

The CHAIRMAN. Do you know about the Lone Jack mine?

Mr. HILL. I do not.

The CHAIRMAN. Do you know about its tonnage, approximately?

Mr. HILL. I do not know.

The CHAIRMAN. Do you know whether it is an open-pit mine or not?

Mr. HILL. I do not know even that I ever heard the name applied to a mine until you have mentioned it. It is entirely new to me.

The CHAIRMAN. Do you know about the Ohio mine?

Mr. HILL. I do not.

The CHAIRMAN. Do you know about the Adams mine?

Mr. HILL. Yes. I think there are two Adams mines.

The CHAIRMAN. That is right. What is the tonnage of those mines?

Mr. HILL. I do not know. The one further west I do not think has been opened.

The CHAIRMAN. Is not that an open-pit mine?

Mr. HILL. It would be if it was stripped.

The CHAIRMAN. Is not the Adams mine stripped?

Mr. HILL. The old Adams mine on the east end of the range, I think, is reasonably near exhausted. That is the impression I have. I have no actual knowledge.

The CHAIRMAN. It has shaft connections, too, has it not?

Mr. HILL. I do not know.

The CHAIRMAN. Do you know about the Hartley mine?

Mr. HILL. I do not.

The CHAIRMAN. The United States Steel Corporation appears to have had some 700,000 tons of ore——

Mr. REED. Seven hundred million, you mean, Mr. Chairman?

The CHAIRMAN. Seven hundred million tons of ore reached by them, upon which these various mines were operated, to which these roads ran.

I believe you have stated, Mr. Hill, that at the time you made this lease none of your mines were developed or, with the one exception, on your properties. Do I recall correctly?

Mr. HILL. I testified that the Mahoning and the Stephenson were in operation at the time the lease was made, and the Leonard.

The CHAIRMAN. But the Mahoning and Stephenson mines were not leased to the United States Steel Corporation?

Mr. HILL. That is right.

The CHAIRMAN. The Leonard was the only mine which you leased to the Steel Corporation which could be operated at the time you leased it?

Mr. HILL. Yes. That is, it was ready to ship.

The CHAIRMAN. When you leased your properties before they could reach these ores, they had them to develop, did they not?

Mr. HILL. Yes.

The CHAIRMAN. They have developed certain mines on your property since this lease was made?

Mr. HILL. Yes.

The CHAIRMAN. Have they developed the Marble mine?

Mr. HILL. I do not recall.

The CHAIRMAN. Do you know whether they have developed the mines that you leased from the State; the Hill State mines?

Mr. HILL. I do not.

The CHAIRMAN. Known as the Hill State lease?

Mr. HILL. I do not know. I do not even know what that refers to, by that name.

The CHAIRMAN. You know your State leases?

Mr. HILL. There are more than one.

The CHAIRMAN. Have you ever been there to see whether they have developed this mine or not?

Mr. HILL. I know, yes, that within a year and a half I was on one of the State lease properties, and they had not developed it. I do not think they have since. The stripping on that is quite heavy.

The CHAIRMAN. On which one is that?

Mr. HILL. On a State lease. I do not know that it has a name.

The CHAIRMAN. What is the depth of that stripping?

Mr. HILL. I think it varies from 65 to 90 feet.

The CHAIRMAN. How many acres have been stripped?

Mr. HILL. I do not know of any.

The CHAIRMAN. Who did that stripping?

Mr. HILL. If there has not been any stripped——

The CHAIRMAN. I thought you said there had been considerable stripping?

Mr. HILL. No, sir; I said there had not been.

The CHAIRMAN. Do you know about the Dale 'Uno mine? That is on your properties, is it not?

Mr. HILL. Yes; I know that mine.

The CHAIRMAN. How much have they stripped there?

Mr. HILL. I think they are mining there.

The CHAIRMAN. Do you know how much they have stripped?

Mr. HILL. No.

The CHAIRMAN. Have they not stripped over 50 acres?

Mr. HILL. I do not know. I should not think so.

The CHAIRMAN. Do you know whether that stripping was a successful proposition or not?

Mr. HILL. What is that?

The CHAIRMAN. Do you know whether it was successful; whether it was a dead loss to the Steel Corporation or whether they got ore after they did the stripping?

Mr. HILL. I think the Dale 'Uno is one of their active mines.

The CHAIRMAN. Is it not true that that mine is a little narrow strip of ore, in which the drilled holes happened to find the ore, and they found that it was only a ditch full of ore, instead of ore bottom?

Mr. HILL. I do not know. I have never been on the Dale 'Uno. I have never seen it, that I know of.

The CHAIRMAN. Here is something that puzzles me, and I want you to help me out about it if you will.

Mr. HILL. If I can, I shall be glad to do so.

The CHAIRMAN. Here was the Steel Corporation with two railroads, the Duluth, Missabe & Northern, reaching the Vermilion Range, where it practically owned all that ore, very high grade ore?

Mr. REED. You mean the Duluth & Iron Range, do you not, Mr. Chairman?

The CHAIRMAN. Yes; the Duluth & Iron Range.

They had an operation, as I understand, on the Mesabi Range and reached by one or two railroads, the most magnificent freight system, perhaps—outside of the Great Northern—in the West; they had the Hartley mine, the Lone Jack mine, the Ohio mine, the Adams mine,

the Hull-Rust mine, the Burton mine, the Fayal mine, the Sharon mine, the Monroe-Tener mine, the Norris, the Spruce, the Sauntry, all open-pit propositions, I understand, with earth for a depth of from 150 to 200 feet, the overburden removed, nothing to do but to go down there with steam shovels and get this ore and dump it into a car and skid it downhill to the lake, at a small cost. Why, at that time, did this corperation lease from you ores under the ground, undrilled, when they had to prospect first to find out if there was any ore and then remove this overburden, and then pay you $1.65 a ton? Can you tell me why that was done, as a business proposition?

Mr. HILL. They could tell you why it was done better than I could.

The CHAIRMAN. They do not throw any light on it. It is the one tantalizing enigma to me, in this whole proposition.

Mr. REED. I do not remember that you have asked anybody to explain that, Mr. Chairman.

The CHAIRMAN. Will you?

Mr. REED. I am not a witness.

Mr. HILL. They have very large plants. Iron ore is not like corn or potatoes. You can not plant it and grow it. It is limited, and becoming more and more limited every year.

There are estimates of iron ore scattered in the Rocky Mountains. Government experts have told me how much there is in Montana and how valuable. I asked them how they were of value, and how much they would aggregate, and their answer was; "Oh, fifteen or twenty million tons." I asked, "Where?" and he pointed out 500,000 tons here and 1,000,000 there, and 3,000,000 tons in another place.

Three million tons would not justify anybody in building a modern furnace, because it would not run the furnace over six years, and you could not spend seven or eight hundred thousand dollars for a furnace and throw it away at the end of six years because there was not anything to put through it.

The CHAIRMAN. Could you not buy ores? Is not anybody selling ores these days? Are there not any ores on the market? Can you not buy ores as you can corn, in the market?

Mr. HILL. You have to find it, first.

The CHAIRMAN. Are there not people who make a business of selling ores?

Mr. HILL. Where do they get it?

The CHAIRMAN. That is what I want to know. Is it all preempted?

Mr. HILL. All the ore?

The CHAIRMAN. Yes: all the available ore.

Mr. HILL. All the available ore on the North American continent that I know of, the large deposits, and practically the small ones, are owned by people.

The first thing I did after buying the Wright & Davis property was to employ mining engineers to commence at Vermillion (McKenzie and Dickman, of Chicago, Ill.) and take eight townships west; that would be 48 miles; and explore by forties from there to the international boundary line. It was a summer's work with a staff of men, and I paid them for it.

They did not find any ore anywhere between the international boundary and that line of townships as far south as the Vermillion.

There is east of the Vermillion quite a large amount of ore, and I think it could be got for a very low price, but it is titanic and you can not use it.

The CHAIRMAN. Mr. Schwab made a statement here that startled me, and your statement corroborates that of Mr. Schwab—in my opinion a great genius in the iron business.

In testifying in New York he said that it would be useless to-day for any man to start in the iron business unless he had the ore reserves, for the reason that there were not now in this country any available ore reserves not preempted by some steel manufacturing concern; that the available ores of this country were held by the large concerns, well established in business, the practice of buying ore reserves by one concern having necessitated that practice by another concern until it became a matter of self-defense, in a way, and of necessity to their own perpetuity; and that all the available ores, like the ores on the Mesabi Range, the high-grade ores capable of easy transportation, were now held by some one of the great steel companies; and you seem to entirely agree with him.

Mr. HILL. I think all the available ores that I know anything about—that is, quantities that are really worth while, quantities that are large enough to justify opening a furnace—for instance, in Montana, when I asked the Government officer about his fifteen or twenty million tons, as to where it was, he said it was a million here and two or three million there, and so on——

The CHAIRMAN. I understand. It was so scattered that it would not pay you to go out and hunt it, and you could not transport it?

Mr. HILL (continuing). He said, "Put your furnace at a central point, and bring your ore to it." I asked him who would build the railroad? He thought somebody would build the railroad. And it was in a country that did not produce even jack rabbits. [Laughter.]

What would be there for the railroad? Railroads are getting wise in these days. They are not so keen to build as they were.

The CHAIRMAN. You must have your ore available, and then you must have your available transportation, before you can go into the iron and steel business, as I understand?

Mr. HILL. Yes; and you must have your coke and your coal, and all the conditions.

In southwestern Utah——

The CHAIRMAN. I do not want to interrupt you, Mr. Hill; I am very much interested in your narrative, but let me ask you this:

Did the condition prevail at the time this lease was made as it exists to-day?

Mr. HILL. Certainly.

The CHAIRMAN. Proceed.

Mr. HILL. I think the steel company people, with their enormous investment, with their nearly a billion and a half dollars of stocks and bonds, would be anxious to have a supply of ore that would last them at least 35 or 40 years.

The CHAIRMAN. And, for that reason, they obtained control of these ores?

Mr. HILL. I would, if I had been in their place, feel the necessity for that. I do not know what kind of a sinking fund they would need, if they had to account for that capitalization at the end of 25 years. I think they would want about $1.50 or $2 a ton for every ton of pig iron they made.

The CHAIRMAN. Can you account for the fact that they then, knowing you had the only available ore on the continent not preempted——

Mr. HILL. That was available to them, at least.

The CHAIRMAN. Yes. Why have they canceled that lease and given up these valuable properties?

Mr. HILL. There was a provision put in the lease that they could cancel it, and we have raised no objections that I have heard of.

The CHAIRMAN. The paper quotes you as saying that the Steel Corporation canceled the lease because they were scared to death.

Mr. HILL. I think they were. I think they lost their nerve, and got white. [Laughter.]

The CHAIRMAN. What could have frightened them?

Mr. HILL. I do not know.

Mr. REED. Perhaps Mr. Hill has not heard the number of departments of the Government that have been camping on our trail.

The CHAIRMAN. I have never heard of anybody being after the Steel Corporation; and I am not sure it would not be classed among those that the Good Book speaks of, that "flee when no man pursueth."

Mr. YOUNG. What was Mr. Hill going to say about iron ore in Utah?

Mr. HILL. I was going to say that next to Lake Superior the largest deposit in the United States is in southwestern Utah.

Mr. YOUNG. Has that been worked?

Mr. HILL. No; and there is coal there.

Mr. BARTLETT. Is it accessible to railroads now?

Mr. HILL. It is accessible; but it is so far from the market. A careful examination was made into that——

Mr. YOUNG. By Mr. Sellwood?

Mr. HILL. Yes. Mr. Sellwood spent a summer there, and reported about 60,000,000 tons. I have seen a report made by the Government people placing it at 40,000,000 tons.

Sixty million tons, the largest supply next to the Lake Superior region, would run the United States for 15 months. They would use 60,000,000 tons in 15 months in the ordinary run of business.

Mr. REED. May I suggest, Mr. Chairman, that you ask Mr. Hill as to whether he has any knowledge of the southern ores, the Texas, Alabama, and Virginia ores, and the Cuban ores?

The CHAIRMAN. Certainly. Tell us about all those that you know anything about, Mr. Hill.

Mr. HILL. The Alabama ores I was including. I should have said with the Alabama and Michigan ores. I meant to allude to those that were not being worked or opened.

Mr. GARDNER. The annual consumption, then, is about how much?

Mr. HILL. I think the annual consumption of ore in the United States is about 50,000,000 tons; 45,000,000 to 50,000,000. Of the Lake Superior, it is about 28,000,000 to 30,000,000. It has been up as high as something over 40,000,000.

Mr. REED. Forty-two million or forty-three million.

Mr. HILL. Something over 40,000,000.

When business is under normal conditions, it is fair to assume that it would be 40,000,000 tons a year.

Mr. GARDNER. Do you know the present rate of exhaustion of the Lake Superior ores? When will the Lake Superior region be exhausted?

Mr. HILL. You mean the rate of one year or the average rate of 10 years?

Mr. GARDNER. Which would be the fairest average to take?

Mr. HILL. I should say the fairest would be to take the average of 10 years.

Mr. GARDNER. Take the average for 10 years, then, and, as commercially available ores are known to-day, how many years would it take at the present rate of consumption of Lake Superior ores to exhaust all the commercially available ores; that is, commercially available under the circumstances existing at present?

Mr. STERLING. In that region?

Mr. GARDNER. In that region; the Lake Superior region.

Mr. HILL. The highest shipments in any year have been over forty millions. I do not know what the last year was, but I would say about twenty-five million; maybe more. The Michigan mines and Menominee have carried it up to 30,000,000 tons; but at, say, thirty-five million average, it would last something over 30 years.

Mr. GARDNER. Then they would have to go elsewhere or else use a lower metallic content ore?

Mr. HILL. They would have to go down to using low-grade ores, ores running from 25 to 40.

Mr. GARDNER. But to exhaust ores running from 40 upward would take about 30 years at the rate of 35,000,000 tons a year?

Mr. HILL. Ores from 48 upward.

Mr. GARDNER. That is, at 48 natural or 48 dry?

Mr. HILL. I do not know the difference between natural and dry.

Mr. GARDNER. Your lease is 59 dry, is it not?

Mr. HILL. I would say 48 dry, if the lease says it, then.

Mr. YOUNG. All ores are tested at 212 Fahrenheit, are they not?

Mr. HILL. I do not know those technicalities.

Mr. GARDNER. On that same ratio at which it is estimated, at 59——

Mr. HILL. I think 35 years will show the exhaustion of the mining interests around Lake Superior, possibly 30; more probably 30 than 35. That is my judgment.

Mr. GARDNER. If they continue to mine it at the same rate?

Mr. HILL. Yes. But it is to be remembered that the iron business is growing very rapidly. Take the United States census for 1800, the second census, and this country used 7 pounds per capita.

Mr. GARDNER. Yes; I remember.

Mr. HILL. And a hundred years later, according to the census of 1900, the United States used 685 pounds per capita.

Mr. GARDNER. When I said that that estimate was based upon mining at the same rate, I had in mind that it might increase.

Mr. HILL. It will increase, undoubtedly. I think Mr. Cole told me once that the steel company expected to get their production up to forty or forty-five million tons a year. They are building large works or have built them—they may not be finished—at Gary, near Chicago, and when the business of the country moves on and people do not hesitate about undertaking new enterprises, when they feel that they can start building and have a reasonable expectation of finishing it within a reasonable time, things will improve, and people will use more iron and steel.

Mr. GARDNER. You were going to tell us about these Texas, Alabama, Virginia, and Cuban ores, were you not?

Mr. HILL. I do not know about the southern ores except in a very general way and in a very limited way.

I know something of the Cuban ores from what I have seen printed and in published reports; and the published reports are available.

Mr. GARDNER. Did you happen to read Mr. Gayley's evidence before this committee on the Cuban ores?

Mr. HILL. No, sir; I have not seen it.

Mr. BARTLETT. I believe the Steel Corporation estimates that there is 700,000,000 tons of ore in the Tennessee Coal & Iron properties.

Mr. HILL. I have no knowledge about that. If you had asked me what my impression was as to what they controlled I should have put it in the neighborhood of 400,000,000 tons. I do not know how I got the impression. I used to know Mr. Bacon. I think Mr. Bacon was down there in Georgia.

Mr. STERLING. You gave the names of two gentlemen a while ago who you said had had great experience and great knowledge of the ore situation in the Lake Superior region?

Mr. HILL. Yes.

Mr. STERLING. Will you give me those names again, please?

Mr. HILL. Joseph Sellwood and Thomas F. Cole.

Mr. STERLING. Where does Mr. Sellwood live?

Mr. HILL. In Duluth, I think. He is a banker there now.

Mr. STERLING. Is he a practical engineer, too?

Mr. HILL. He is a practical miner, and has spent the greater part of his life on Lake Superior in mining iron and copper.

Mr. STERLING. Does he own ore mines?

Mr. HILL. I do not know. I think he probably has owned them.

Mr. STERLING. What is the name of the other man?

Mr. HILL. Thomas F. Cole.

Mr. STERLING. What is his business?

Mr. HILL. He is a mining engineer; I think a very eminent one.

Mr. STERLING. Does he own ore mines?

Mr. HILL. I do not know.

Mr. STERLING. Has he ever been in the employ of the United States Steel Corporation?

Mr. HILL. I think he was superintendent at one time. He used to be president of the Oliver Iron Mining Co.

Mr. STERLING. Is he connected now with that corporation?

Mr. HILL. I do not know. I think he is not. I think for some years he has not been connected with the corporation.

Mr. STERLING. What is his address?

Mr. REED. Duluth.

Mr. HILL. His address is Duluth; and he is sometimes in New York. I have not seen Mr. Cole for a number of years.

Mr. YOUNG. He has had no connection with the steel company for several years.

Mr. GARDNER. You think those gentlemen know as much of the ore situation in that region as any men?

Mr. HILL. I do. I would take their estimates and their knowledge and judgment in preference to any 10 men I know.

Whereupon, at 12.35 o'clock p. m., a recess was taken until 2.30 o'clock p. m.

AFTER RECESS.

The committee resumed its session, at 2.30 o'clock p. m., Hon. Augustus O. Stanley (chairman) presiding.

The CHAIRMAN. Before Mr. Hill goes on the stand I want to call attention to one little matter.

This morning I was speaking of the Hull-Rust mine, and I stated it was my understanding there was no ore being taken from that mine. Mr. Young quoted certain figures for that mine. Have you those figures?

Mr. YOUNG. Yes, for previous years.

The CHAIRMAN. What year was that?

Mr. YOUNG. I quoted that up to 1910.

The CHAIRMAN. What page is that?

Mr. YOUNG. For 1910 it gives 3,189,000.

The CHAIRMAN. What page is that?

Mr. YOUNG. Page 48.

The CHAIRMAN. What edition of the book, do you know?

Mr. YOUNG. It is called "1911 Values."

The CHAIRMAN. I find below there—and I can not reconcile those two—Lake Superior group, Burt, Hull, and Hull-Rust mines.

Mr. YOUNG. They are all one.

The CHAIRMAN. Under that is no tonnage removed whatever for the year 1910. It is in the same book, on the same page. I wanted to call attention to that.

Here it is, "Hull-Rust, 3,189,975 tons," and then down below, "Lake Superior group," and a note relating to that, "Burt, Hull, and Hull-Rust mines," and it does not give any ore removed whatever.

Mr. YOUNG. That means that Hull-Rust includes the Burt, Hull, and Hull-Rust mines. That is a group of mines known as "Hull-Rust."

The CHAIRMAN. I merely want to get that into the record.

Mr. YOUNG. I think it is perfectly clear in the table. It says the Hull-Rust. And then at the bottom is the footnote which intends to show that that includes also the Burt, Hull, and Hull-Rust mines.

The CHAIRMAN. Do you know whether the Hull-Rust mine was open in 1911?

Mr. REED. My information is that about the middle of the year 1911 active operations at the Hull-Rust were discontinued because a very large supply of ore had been accumulated. My information is that when the chairman was there there was no activity at all in the mine.

The CHAIRMAN. That was my understanding when I was on the ground.

Mr. YOUNG. Is this supposed to indicate something, Mr. Chairman?

The CHAIRMAN. Yes, Mr. Young. It is a matter I wanted to appear in the record. The thing it indicates is they were mines with very high grade ore that could be operated at a very small cost—the royalty on that mine, I believe, is 25 cents, and it is a 50-year lease. It is significant to my mind that they would leave a mine when they could transport the ore over their own road at a cost of, say, 25 cents royalty and 4 or 5 cents for loading into cars, 35 or 40 cents for delivering it at Two Harbors, making a total cost of, say, 50 cents, when they could

get an unlimited amount of ore for 60, why they would pay $1.65 for no better ore.

Mr. REED. The chairman will understand the mining was very generally curtailed throughout the whole district in the latter part of the next year, owing to the cessation of the demand for iron.

Mr. YOUNG. I do not know what the fact is as to this particular case. It has appeared in our hearings somewhere that the Steel Corporation, under the minimum clause of this lease, has paid for a good deal of ore on these Hill lands which it has not mined. That is in our hearings somewhere, on oath.

As they have given notice of the cancellation of that lease to be effective in 1915, they might be pretty anxious to get out that ore before the time that they had already paid for, and which was costing them nothing more.

The CHAIRMAN. When I was out there notice had not been given and was not given for some months after.

Mr. YOUNG. Very likely they had deterimned on what they were going to do.

The CHAIRMAN. Oh, they were getting at this minimum at that time.

Mr. Reed, to save me the trouble of a subpœna duces tecum—and in this connection the Steel Corporation has been very kind about that where we have wanted papers from certain sources—I find in the one hundred and seventh meeting of the general managers of sales, on June 17, 1909, this entry:

> Mr. Buffington has prepared a form of contract which is along the lines discussed at our last meeting. It is drawn up tentatively as to Ryerson, but is intended to cover the others as well, and, in brief, is as follows: That the jobbers will absolutely give up direct shipments. They will carry no stock but that manufactured by the corporation in its particular lines. They will carry it on consignment and be allowed a compensation by the corporation for putting it in and taking it out of stock on the sliding schedule basis, following out the suggestion that there will be a minimum of $1 or $2 per ton, based upon the prices of the material. The agreement can be terminated upon 60 days' notice by either party. * * * Provision is also made that for any material these people may fabricate there will be no allowance whatever.

I would like to have a copy of that Buffington-Ryerson contract, with a statement of the other jobbers with whom such contracts have been entered into.

Mr. REED. I will try to have that for you by Monday.

The CHAIRMAN. Thank you. You can just mail it to me if we are not in session.

STATEMENT OF J. J. HILL—Continued.

Mr. BARTLETT. Mr. Hill, I would like to ask you this question: This contract that you made with the Steel Corporation was supposed at the time you made it to be made with the Great Northern and the Northern Pacific, but it was not made with them, as I understand it—the contract for the lease of ore land?

Mr. HILL. The protocol or provisional contract was made and executed by me. And that was afterwards enlarged into the permanent contract.

Mr. BARTLETT. Between the Steel Corporation and the Great Northern?

Mr. HILL. And the trustees of the Great Northern ore properties.

Mr. BARTLETT. The reason that I asked that question was that in an article published in Munsey's Magazine of June, 1908, which I find was placed in a hearing before the Ways and Means Committee in 1909, is stated—its correctness being purported to be vouched for by the Steel Corporation—that the contract was with the Great Northern Railroad and the Northern Pacific Railroad, which had vast holdings of iron ore in the Mesabi Range.

That was not true, then; these two railroads never had this contract?

Mr. HILL. The Northern Pacific as I recall purchased a line of road called the St. Paul & Duluth. That road had a portion of the land grant on the range, and in that way they got some lands carrying ore, and those ores are included in the Great Northern lease, somewhere in the neighborhood of 20,000,000 tons.

Mr. BARTLETT. Now, that lease was for how much per ton? The first year it was 88.4 per cent?

Mr. HILL. The contract provides $1.65 per ton, including the transportation and docking. The trustees pay the transportation and the docking, whatever it may be.

Mr. BARTLETT. Yes; I knew that. But the cost of the ore at the mine would be about 88 cents a ton, would it not?

Mr. HILL. Eighty-five cents for 59. That is, the transportation and the docking at that time was 80 cents, which, deducted from $1.65, would leave 85.

Mr. BARTLETT. I note it is stated in this same magazine article, which was placed in this hearing, that this contract was not listed in this inventory which was published, stated to be by the authority of the steel company—was not listed as the assets of the company.

Mr. HILL. That is something I would know nothing about.

Mr. BARTLETT. Did not you consider it of immense value to the Steel Corporation? I refer to the lease.

Mr. HILL. I think it was very valuable to them.

Mr. BARTLETT. And is still very valuable?

Mr. HILL. Yes, sir.

Mr. BARTLETT. It was a means by which they not only insured themselves against competition, but also was one which enabled them to obtain ore for a long period of time, if they kept the contract, would it not?

Mr. HILL. Aside from questions of competition, of which I have no particular knowledge, they had a very large investment or amount of capital invested and a large capacity for making iron and steel. At the rate they were using ore they would have somewhere in the neighborhood of 20 or 25 years' supply. From my standpoint it was simply ordinary business prudence and forethought for them to secure as large a supply of ore as they could, looking to the future.

I think I said this morning, including the Great Northern Ore Co., the Ore Trust property, at the ordinary rate of consumption, they would have somewhere from 30 to 35 years, with an investment or capitalization of fifteen hundred million dollars. That is rather a short life.

I think it was a fair and no more than ordinary business prudence on their part to secure the absolute control of all the ore they could get. I speak of that, of all the ore of that class, because it is limited.

Mr. BARTLETT. Then it was of immense value to the corporation when it was made?

Mr. HILL. Why, upon that ore depends their existence. What would their plants be worth? They would be worth what they would sell for as scrap iron.

Mr. BARTLETT. This same article I have referred to says that one of the directors of the Steel Corporation, who was a very big man in the business world, said to him he thought his contract worth $500,000,000 to the corporation; that if an offer of that kind were made for it he would vote against the sale. Whether this estimate of value is excessive is problematical. His judgment, however, is usually very sound.

How long has that contract been running; since 1902?

Mr. HILL. 1907, I think.

Mr. REED. 1907; yes, sir.

Mr. BARTLETT. And they have given notice that they are to abrogate it in 1915?

Mr. HILL. The contract provided that it might be abrogated as far as they were concerned in 1915, provided they had complied with all of the terms of the contract, and in complying with the terms of the contract at that time they would have to mine in 1914 about 6,000,000 tons. The trustees, I think, were quite willing that they should cancel the contract if they had opened properties with a going capacity of 6,000,000 tons a year. I think the trustees could take that property and mine the ore and sell it in the market to whoever wanted to buy ore at higher prices than the steel company were paying.

Mr. BARTLETT. This contract, has it gotten less valuable or more valuable to the Steel Corporation since they made it?

Mr. HILL. I don't know. They are the judges of that. I should say it was a very valuable contract. I have heard some members——

Mr. BARTLETT (interposing). Its visible supply has not increased since 1900?

Mr. HILL. No, sir.

Mr. BARTLETT. And is not liable to increase in this country?

Mr. HILL. No, sir; and the consumption is from 25,000,000 to over 40,000,000 tons a year.

Mr. BARTLETT. Increase?

Mr. HILL. That is the amount that is mined out and consumed—the decrease.

Mr. BARTLETT. You mean the decrease?

Mr. HILL. In the quantity of ore.

Mr. BARTLETT. So that instead of the field for obtaining ore increasing, since this contract was made, in the near years to come the field has diminished and will diminish?

Mr. HILL. It must diminish every year; the available ore—that is, ore that can be taken to furnaces.

Mr. BARTLETT. That would have a tendency to increase the value of this contract rather than to diminish it?

Mr. HILL. That would be my judgment.

Mr. BARTLETT. Have you any reason to suggest why they should abandon that contract under those circumstances?

Mr. HILL. I have no reason. I might have an opinion. I think they were frightened to death.

Mr. BARTLETT. That they had buck ague, possibly, for something, without cause?

Mr. HILL. They had buck fever.

Mr. BARTLETT. Frightened at what, Mr. Hill?

Mr. HILL. I do not know.

Mr. BARTLETT. You do not know at what? It is just an opinion that they were frightened at something?

Mr. HILL. They must have been.

Mr. BARTLETT. Some ghost or shadow or substance?

Mr. HILL. They must have been, because without that ore they would probably have, under ordinary conditions, in the neighborhood of 18 or 25 years' supply.

Mr. BARTLETT. Can you recall when the notice of the desire or intention of the Steel Corporation to abandon the contract in 1915 was given?

Mr. HILL. I do not recall the date.

Mr. BARTLETT. How long since?

Mr. HILL. I do not recall the date. It was sometime in the last fall.

Mr. BARTLETT. Last fall?

Mr. HILL. Yes.

Mr. REED. The decision to surrender the lease was announced a day or two before the suit was brought, and a few weeks after the publication of the criticisms in Mr. Herbert Knox Smith's report.

Mr. BARTLETT. You yourself do not know whether it was before or after the bringing of the suit by the Government?

Mr. HILL. No, sir. I feel almost like apologizing to the committee because so many questions have been asked me of which I have no knowledge at all.

Mr. BARTLETT. I did not mean to ask you a question that——

Mr. HILL (interposing). Oh, I am not criticizing the questions at all. But so many questions have been asked about subjects that I know nothing of, and I am compelled to give hearsay testimony or say that I know nothing about them.

Mr. BARTLETT. You can not recall what time you received information that the notice had been given?

Mr. HILL. It did not come to me. I am not an officer of the Great Northern Ore Co.

Mr. REED. You can satisfy yourself about that, Judge Bartlett, by referring to the petition of the Government filed in the dissolution case, because that mentions the intention to surrender the lease.

Mr. BARTLETT. That is all the questions I have.

Mr. YOUNG. Mr. Hill, there is a little matter I want to ask you about. It may not be very important. But I understood you to say that the visible supply of ore was steadily decreasing.

Mr. HILL. Yes, sir.

Mr. YOUNG. I have before me this book of Rukard Hurd, secretary of the Minnesota tax commission, in which he gives the figures of tonnage in Minnesota as ascertained and estimated by the tax commission of that State. From that it appears that in 1907, the year this lease was made, there was estimated to be 1,192,509,757 remaining on May 1, and that on May 1, 1911, this amount had increased to 1,368,236,579, or an increase of about 175,000,000 tons.

So it would appear that notwithstanding the large amount which has been mined, something over 30,000,000 tons, I think on the average that the discoveries had more than kept pace, to the amount of 175,000,000 tons, with the use of the ore, so that they knew of the

existence of more ore in Minnesota at the end of that four-year period than they did at the beginning.

Mr. HILL. I think that in place of discovery of more ore, it would be exploration. I think the drilling in the interim——

Mr. YOUNG (interposing). That would be the same thing.

Mr. HILL. Well, the drilling has settled, and until there is drilling done nobody can see under 30 or 40 or 50 feet of earth and say what is there. The tax commission, for the purpose of taxation, has to have accurate knowledge.

Mr. YOUNG. But so far as the supply of ore would affect the price, it would be the supply that was known to exist, would it not; not ore that nobody knew about? That could not have any effect?

Mr. HILL. I think the added minage of ore to the tax commission's report were the lands that were known to contain ore, but not how much.

Mr. YOUNG. They had been getting values on all ore lands, though. Undoubtedly their knowledge increased as the other people's knowledge increased.

Mr. HILL. Their knowledge increased as the land was explored and definitely shown about what it contained.

Mr. YOUNG. Mr. Hill, have you had estimates made, or are you familiar with estimates of the amount of ore remaining in those lands which we have been discussing, which belonged to you originally and turned over by you to this Lake Superior Co.?

Mr. HILL. I think, including the lands leased to others than the United States Steel, the explorations have shown something over 400,000,000 tons. The lands have not all been explored.

Mr. YOUNG. But you expect to find some additional ore?

Mr. HILL. Yes, sir.

Mr. YOUNG. From the unexplored lands?

Mr. HILL. Yes, sir.

Mr. YOUNG. A considerable portion of them lies within the iron belt or range?

Mr. HILL. Yes; along the iron zone.

Mr. YOUNG. As I understood your testimony, the total amount of these lands is about 69,000 acres?

Mr. HILL. Well, that covers lands outside of what is known as the ore belt.

Mr. YOUNG. And they belong to these trustees?

Mr. HILL. They belong to the trustees.

Mr. YOUNG. Of that 69,000 acres about 39,000 were leased to the Steel Corporation?

Mr. HILL. That is right. That is all set out in the report I handed in this morning, in detail.

Mr. YOUNG. Did the Steel Corporation, when it was making this deal, have the opportunity to take all of this 69,000 acres of land that it desired?

Mr. HILL. Yes.

Mr. YOUNG. And it selected the 39,000?

Mr. HILL. Yes, sir.

Mr. YOUNG. Who had charge of the examination of those lands for the Steel Corporation at that time?

Mr. HILL. I do not know. There is a man named Sebenius—some name of that description.

Mr. REED. Sebenius; that is right.

Mr. YOUNG. He was the chief engineer.

Mr. HILL. I think he was their expert.

Mr. REED. And still is.

Mr. YOUNG. Have you any knowledge or information that would lead you to believe that these tax commission figures are reasonably accurate estimates, or that they are not?

Mr. HILL. I think they are made by an intelligent tax commission. I have not actual knowledge as to that question, but I think they have access to the drillings. They are anxious to collect all the taxes they can for the State, and I think they estimate the lands as highly as their contents, or as the drilling will show the contents to be.

Mr. YOUNG. They state in their report that the companies have given them access to all the data they had?

Mr. HILL. That is my information. I think they are desirous of having the lands show as large a quantity of ore as they can on account of the revenue to the State.

Mr. YOUNG. To recur a moment to the matter which you were talking to Mr. Gardner about, this report of Herbert Knox Smith. Mr. Smith attempts to ascertain the value of the ore holdings of the Steel Corporation at the time of its formation, and uses several methods of getting at that value.

He states in his report that he does not know that that is a fair method of determining what the capitalization ought to be, but that he thinks any later value taken after they had acquired these lands would have in it a large monopolistic value, owing to their drilling of ore, and that it was impossible to separate that from any other value; that he would not and could not attempt it.

I wish to ask whether you think, from your knowledge of this business, that, aside from the fact that the ores have drifted into a few hands, there has been any increase in actual values of the ore properties since 1901?

Mr. HILL. I recall when the Lake Superior price of ore was $2 to $2.50 a ton higher—I mean the price delivered at Lake Erie ports was from $2 to $2.50 a ton higher—than it is now. The rates of transportation on the Lakes were very much higher than they are now.

The cost of production and the cost of transportation all have gone down and the price of ore has gone down.

To illustrate: The trustees during the ore season preceding the execution of the lease mined and shipped from the Leonard mine. They shipped their ore to Lake Erie ports, and it was sold for their account. Their profit—you may call it royalty—was what they realized after paying the cost of mining and transportation. I think it was about $1.45, speaking from recollection.

Mr. YOUNG. That does not quite answer my question.

Mr. HILL. I thought it would lay the foundation for the answer, at least.

Mr. YOUNG. That may be. What I was trying to get at is this: Mr. Smith estimates that the total ore holdings of the United States Steel Corporation at its organization were not worth over $100,000,000 at that time, and intimates that the increase in value has been caused by the ores being monopolized.

What I was wanting to get at was to see if that was the only cause why ores had advances.

Mr. HILL. Oh, no.

Mr. YOUNG. For instance, in 1900 we produced in this country, in round figures, 10,000,000 tons of steel, and in 1910 some 25,000,000 tons of steel.

Mr. HILL. And it takes about 2 tons of ore to make a ton of steel.

Mr. YOUNG. This great increase in production indicated, naturally, an increase in the production of those ores?

Mr. HILL. Why, certainly. I do not attach any importance whatever to the monopolistic view of it. As far as the steel company is concerned, while I know nothing about their views—that is, I have no absolute knowledge—I can put myself in their place as a business man. I would feel that I had been derelict of my duty if I had not taken every reasonable step to secure all the ore I could to keep those furnaces going, because—think of it! What millions they have invested! What is to become of them if they have no ore to put in them? What are they worth?

Mr. YOUNG. What do you regard now, if it is a fair question, as the reasonable value per ton of your ore holdings that may be left there?

Mr. HILL. Oh, that would be a difficult question to answer directly. I could answer it in this way: I think those ores will bring from $1.50 to $2 a ton royalty before they are exhausted.

Mr. YOUNG. Of course, the returns would be scattered through a good many years?

Mr. HILL. That depends on the business of the country. If the business of the country moves along without great interruptions, and buildings are built, the ore consumed, I do not see a life for Lake Superior ore for longer than 30 years in any event, unless we get down to less than 50 per cent ore.

Mr. YOUNG. Is it not a fact that each year we do go down a little?

Mr. HILL. Why, certainly.

Mr. YOUNG. That we are using lower and lower grade ores each year?

Mr. HILL. I think in 1900 they did not mean to take ore that was much of anything less than 60 per cent. Now they are taking ore down as low as 54.

Mr. YOUNG. Your lease goes down to 49——

Mr. HILL. Yes, sir.

Mr. YOUNG (continuing). And under. They have to pay the 49 rate for anything under 49 if they take it?

Mr. HILL. No; I think not. I think they pay 35 cents.

Mr. YOUNG. I thought you had a minimum below which——

Mr. HILL (interposing). Well, there is a sliding scale down to 49, and I think they pay 35 cents for all that they mine below 49.

Mr. YOUNG. Do you know whether they have mined any ore below 49?

Mr. HILL. No.

Mr. GARDNER. The lease says $1.10 delivered at Superior for ore below 49. It is $1.168 for 49; and all below that $1.10 delivered at Superior.

Mr. HILL. That is better than my recollection. I want to say to the committee that I never read the lease in my life. It is about 700 pages. The lease is much better evidence than my memory.

The CHAIRMAN. The lease provided a table for from 47 per cent up to 66 per cent.

Mr. HILL. Does it say 47 or 49?

The CHAIRMAN. It says 47.

Mr. HILL. My recollection is 49.

The CHAIRMAN. You are probably right.

Mr. YOUNG. I see by this report of the Great Northern ore properties that there have been some smaller or less amounts of ore under 49.

Mr. HILL. The report would be correct.

Mr. YOUNG. Some 4,000 tons.

Mr. HILL. I suppose in stripping or something of that kind they got other material mixed with it.

Mr. YOUNG. You say that in 1900 that 60 per cent was about the lowest that was regarded as first-class ore?

Mr. HILL. That is as I recollect, that they did not want to take less than that.

Mr. YOUNG. Going back, have you any familiarity with the ore business before that, running back to 1870 or 1880, and through there?

Mr. HILL. No; and I have not now. I have a great deal to do and I have not had much to do with the ore business, except buying it.

Mr. YOUNG. I remember very well when 65 was the limit.

Mr. HILL. Yes.

Mr. YOUNG. So that there has been a steady lowering of the metallic contents of the ore, which was salable?

Mr. HILL. Which was called merchantable ore. What would be merchantable ore this year might be very much higher in metallic contents than what would be merchantable ore 10 years from now.

Mr. YOUNG. When you get into these lower-grade ores there are immense bodies?

Mr. HILL. Well, there is a country rock up there, known by the name of takonite, which runs from 25 to 35 or 40 per cent.

Mr. YOUNG. Have you any knowledge of the low-grade ores in Michigan?

Mr. HILL. Only in a general way. There is a very large amount, as I understand. I have seen reports of it.

Mr. YOUNG. I have Bulletin No. 394 of the United States Geological Survey, which contains an article by Prof. Hayes on iron ores. In this he makes an estimate of the existence of Lake Superior of 75,000,000,000 tons of ore above 35 per cent, the bulk of that being, of course, below 50, and of 276,000,000,000 tons above 30 per cent. You have no actual knowledge, I presume, as to these Cuban deposits?

Mr. HILL. Nothing except what I have seen in the published reports.

Mr. YOUNG. Have you any knowledge of the southern ores—the Birmingham ores?

Mr. HILL. No personal knowledge. I know that explorations have been made in Canada, north as far as Hudson's Bay, by experts without finding any fields of available merchantable ore.

Mr. YOUNG. How long is the haul on your road to the Lake, the average haul of the ore?

Mr. HILL. About 110 miles.

Mr. YOUNG. And the rate is 80 cents?

Mr. HILL. The rate was 80.

Mr. YOUNG. Has it been changed?

Mr. HILL. At the close of the season there was a rate announced as 60, including the docking.

Mr. YOUNG. What do you do for that 80 or 60 cents?

Mr. HILL. Haul that ore, furnish the cars and haul that to the dock, sort it, and deliver it to the ship.

Mr. YOUNG. What do you mean by sorting it?

Mr. HILL. It has to be sorted. For instance, a cargo might be sold of 59 or 60 per cent ore. Now, that entire cargo has to average that amount of metallic iron. It has to contain it. If ore is brought down that contains 55 or 56 per cent and is put into the cargo, unless other ore is put with it, which would bring the contents up, then the dock would have to pay the difference.

Mr. YOUNG. Is not this ore sorted in the first place at the mines?

Mr. HILL. Yes; and the contents of the car are known.

Mr. YOUNG. The different grades are placed in different pockets at the dock?

Mr. HILL. Yes. The pockets contain from 250 to 300 tons, and a marine cargo is 10,000 tons. They have to be sorted so that the mineral contents will be up to the standard at which they are sold and not to exceed it, because if they were greater the seller would lose the difference.

Mr. YOUNG. Do you mean then, that your sorting consists in taking ore in the different pockets, having different——

Mr. HILL (interposing). Every carload has to be known, as to the mineral contents; to know where it goes and that it goes with ore that will make it a cargo of a certain value in mineral contents.

Mr. YOUNG. Do you at the docks, or in loading, mix different grades of ore to produce a general average? Is that what is done.

Mr. HILL. They have to.

Mr. YOUNG. You do that?

Mr. HILL. I remember that Price McKinney, of Cleveland, of Corrigan & McKinney, told me he thought our sorting was worth 15 to 25 cents a ton to him.

Mr. GARDNER. Is the ore handled when it is sorted, other than putting it on board the vessel? So much is taken from one pocket and so much from another?

Mr. HILL. Oh, no. It is dumped from the car into the pockets. It has to be sorted, so that the cargo will run about uniform value.

The CHAIRMAN. Is that done by dumping, by selection of the cars, in order to dump the cars, or by selection of pockets, when dumping into the pockets?

Mr. HILL. The ore goes out of the car and into the pocket, and goes from the pocket into the ship.

The CHAIRMAN. I thoroughly understand that, but you do not sort this ore with a shovel?

Mr. HILL. Oh, no. In sorting it by the shovel full you would have to analyze every shovel, and you would never get through.

Mr. YOUNG. As I understand it, for instance, if ore had been sold, we will say, at 55, you might take from one pocket of 60 and another pocket of 50 and put them together and get an average of 55?

Mr. HILL. Yes.

Mr. YOUNG. That is what you mean by sorting?

Mr. HILL. Yes, sir. With one carload that might run 60 and with another 50 and by putting them together you would get an average of 55, if they were of the same weight.

Mr. GARDNER. You already know what your carload contains when it arrives there?

Mr. HILL. The contents of the cars I think are known; that is my understanding.

The CHAIRMAN. Not to interrupt, but I want to get that straight. Your cars run over these great big pockets, and they are dumped from the bottom?

Mr. HILL. They are dumped into the pockets.

The CHAIRMAN. You know just what is in your car when it goes out on the pocket?

Mr. HILL. Yes.

The CHAIRMAN. And you so distribute your cars over those pockets as to give a certain metallic content that you want to each pocket; is that not right?

Mr. HILL. Yes.

The CHAIRMAN. And that effort of sorting consists in the trouble and time of switching in and arranging these cars?

Mr. HILL. And the expense.

The CHAIRMAN. It is a switching proposition?

Mr. HILL. It takes great care.

Mr. GARDNER. If I understand the chairman right, in that sorting you take so much from pocket A, and so much from pocket Q?

The CHAIRMAN. No; you take it from car A and put it in a certain pocket, and from car B, and put it in a certain pocket. This sorting means the selection of cars when they are dumped into certain pockets.

Mr. YOUNG. Then you also sort, I presume, sometimes in loading the vessel?

Mr. HILL. Probably so; I am not familiar with that.

Mr. YOUNG. Does this cost much, if anything, more than it would to dump those cars in the first pocket they came to?

Mr. HILL. Oh, very much more.

Mr. YOUNG. Why so?

Mr. HILL. Because each car has to be put in a certain place. If you could take a string of cars and put them in on the dock and dump them all, it would be a simple thing. But each car has to go to a pocket containing ore of certain value. You have got to know as you are going along.

Mr. YOUNG. That requires the breaking up of the train, and the handling of practically each car with an engine separately?

Mr. HILL. They are run over a hump and weighed; they are all weighed, each car by itself. Then they are sorted to the pockets on the dock, which is quite a large undertaking, and the dock does the work. It is heavy work.

Another thing about it: It is heavy business, the dumping of ore, letting the heavy ore fall into the empty pockets. It requires constant watchfulness and repair to keep the docks in repair.

Mr. YOUNG. Do you remember about what year the yearly tonnage of that road in ore, about how much ore—well, for instance, in 1910, how much ore you shipped over your road?

Mr. HILL. About 8,000,000 tons.

Mr. YOUNG. As many, or less——

Mr. HILL. Maybe less.

Mr. YOUNG (continuing). In 1911?

Mr. HILL. No, I think a little more.

Mr. YOUNG. Nine millions?

Mr. HILL. I think over ten.

Mr. YOUNG. Is not that a very profitable business at the rate you have been getting, at 80 cents?

Mr. HILL. That would depend on how it is handled.

Mr. YOUNG. Well, in the way you handle it. I suppose you handle that skillfully and in a businesslike way?

Mr. HILL. Well, you could under ordinary conditions handle it so as to lose money.

Mr. YOUNG. What is your average train of cars; how many cars to a train?

Mr. HILL. It used to be 40; we got it up to 50, we got it up to 60, we got it up to 80, and we got it finally, this year, up to 100, and occasionally something over 100.

Mr. YOUNG. A single engine?

Mr. HILL. With a single engine, but they are specially built engines.

Mr. YOUNG. What do they call them?

Mr. HILL. The type that we used last year was a Malay. It is practically two engines with one boiler.

Mr. YOUNG. It is really a double engine?

Mr. HILL. Yes, sir.

Mr. YOUNG. What are the grades on that road?

Mr. HILL. The grade from the mine, I think, the maximum, is four-tenths of 1 per cent.

Mr. YOUNG. That is down toward the lake?

Mr. HILL. No; that would be adverse.

Mr. YOUNG. Where is that adverse grade?

Mr. HILL. Coming to the crossing of the Cloquet River, and one or two other places along the range.

Mr. YOUNG. Does this one engine carry as high as a hundred cars over those grades, or do they have help?

Mr. HILL. No; the ore is gathered up from the mines and brought to central yards, from which the train going to the lake is made up. Part of the service is gathering it and bringing it to these central points, and then the train is made up and carried to the dock at Alluez.

Mr. YOUNG. Still, these engines do take as many as 100 cars over these grades of which you have spoken?

Mr. HILL. Yes.

Mr. YOUNG. How many tons to the car, on the average?

Mr. HILL. They will run on the average, if they are loaded full, about 100,000 pounds, and that would be 43 or 44 gross tons.

Mr. YOUNG. They average 43 or 44 gross tons?

Mr. HILL. Hardly.

Mr. YOUNG. Over 42, say?

Mr. HILL. Speaking from recollection, I should say they would run from 40 to 43 or 44.

Mr. YOUNG. Gross tons?

Mr. HILL. Yes, sir.

Mr. YOUNG. You are paid, of course, on your freight by the gross ton?

Mr. HILL. Yes; by the gross ton. That is 12 per cent more than the net ton.

The CHAIRMAN. My understanding is that these cars are standardized at 50 tons?

Mr. YOUNG. Fifty net tons?

Mr. HILL. Their capacity is 100,000 pounds, but the rate is on gross tons, which is 2,240 pounds to the ton.

Mr. YOUNG. These Malay engines haul 115 cars, do they not?

Mr. HILL. If everything—the rail, the day, etc.—was favorable, you might get over the road with 110 to 115, but you would not, as a rule.

Mr. YOUNG. But I understood you to say you got over with 100 this year?

Mr. HILL. They have hauled 100 in a regular way, and then less than that. I think we haul more than anybody else.

The CHAIRMAN. I do not want to interrupt there, but the test of your capacity is the back haul, is it not? The test on the length of your trains is not the haul down, but the haul back; is not that true?

Mr. HILL. Oh, no.

Mr. YOUNG. You stated there are some up grades of a little over four-tenths of 1 per cent.

Mr. HILL. Four-tenths of 1 per cent.

Mr. YOUNG. That would make something over 4,000 tons to a train?

Mr. HILL. Yes; 4,000. That would be a pretty high average.

Mr. YOUNG. And an average haul of about 100 miles.

Mr. HILL. One hundred and ten miles.

Mr. YOUNG. What would that rate be per train-mile?

Mr. HILL. The docking would have to come out of that.

Mr. YOUNG. What would you figure for the docking?

Mr. HILL. I think it is 20 cents. I think that is based on the terminal cost of handling wheat, which is 25, and the cost of handling coal in New York, through the docks, through the coal dumps. The docks is 25 cents a ton, and the ore rate was 20.

Mr. YOUNG. The docks, however, are owned by the railroad company, are they not?

Mr. HILL. I believe they are owned by the trustees.

Mr. YOUNG. The trustees of this ore, you mean?

Mr. HILL. Yes, sir.

Mr. YOUNG. The Great Northern Ore Co.?

Mr. HILL. I think so. That is my recollection.

Mr. YOUNG. What allowance do they get then out of a dollar? You do the work?

Mr. HILL No; they do their own sorting and switching and docking.

Mr. YOUNG. They get the 20 cents?

Mr. HILL. They get the 20 cents.

Mr. YOUNG. That is, the railroad company collects the 80 cents?

Mr. HILL. Yes.

Mr. YOUNG. And pays over to the docking company 20 cents out of that?

Mr. HILL. Yes, sir.

Mr. YOUNG. And retains 60?

Mr. HILL. Yes. Under the new rate of 60, that would have to be reduced—well, I do not know; but I should say it would have to be reduced, if they can, to 15.

Mr. YOUNG. The docking?

Mr. HILL. The repairs and renewals of these docks—they are very perishable. They have to be renewed every 10 years, and they are very expensive. That is, those that are built of wood. The last one was built of steel and concrete. But for business that would wind itself up in 20 or 30 years, and the whole plant have to be thrown away, the railroad company preferred that the trustees would build their own docks.

Mr. YOUNG. Does this road that handles the ore handle much of any other freight?

Mr. HILL. Practically no other freight. There is very little return. They have to run two train miles to get one loaded mile.

Mr. YOUNG. That is, they come back empty, you mean?

Mr. HILL. Yes. The cars are such cars as can not be used for any other purpose. They are a peculiar car. They are short, and are made to fit the old docks, the old Lake Michigan and Marquette docks. The hatches of the vessels were made to fit them.

Mr. YOUNG. Do you use a steel car?

Mr. HILL. We use a steel car; we have some wooden cars, but mostly they are steel.

Mr. YOUNG. Have you any passenger traffic?

Mr. HILL. Very little. I think there is one train a day.

Mr. YOUNG. So practically all the income of the road is from the ore?

Mr. HILL. Yes, sir.

Mr. YOUNG. Is this portion of your system which carries the ore kept separately; do you keep the accounts of its earnings and expenditures separately?

Mr. HILL. No. That division is about 140 or 150 miles which handles the ore.

Mr. YOUNG. Is that a separate division by itself?

Mr. HILL. No; the division has some 350 or 360 miles.

Mr. YOUNG. I suppose you have made estimates as to the profits on this ore carried on this road?

Mr. HILL. I do not recall any estimates. They would only be estimated. You could get approximately the cost per mile of train service, but the maintenance of the line or that portion of the line used for other business, would have to be appropriated or allocated on some basis. It would be very difficult.

Mr. YOUNG. How would the cost of hauling ore on your road compare with the cost of hauling ore on the Missabe & Northern?

Mr. HILL. There is not so much difference.

Mr. YOUNG. It is about the same?

Mr. HILL. I think they have a much heavier grade going up from the Lake. I think that is what you had in mind, that their load was controlled——

The CHAIRMAN (interposing). They have about 500 feet there in about 8 or 10 miles.

Mr. HILL. Well, we get up the hill; we use that line for all our business going west, directly west from the head of Lake Superior. and our maximum grade I think is four-tenths of 1 per cent.

Mr. YOUNG. So if there is any difference your cost would be slightly less than theirs?

Mr. HILL. There is very little difference.

The CHAIRMAN. How far is Duluth from Proctor Knot?

Mr. REED. I don't know.

Mr. HILL. I do not know. I do not know where Proctor Knot is.

Mr. YOUNG. The information we have taken from the report of the Missabe & Northern, for instance—which does, I take it, the same kind of business your road does—shows very extraordinary profit on the ore business.

Mr. HILL. That depends, I think, on how they kept their accounts.

Mr. YOUNG. I am not certain about the figures, but I think they run as high as 300 per cent per annum.

Mr. HILL. I would like to have some railroad that would earn a small portion of that.

Mr. YOUNG. We would like to get, if we could, Mr. Hill, the exact facts about this.

Mr. HILL. Well, now, I can show you. The best estimate I could make is that it would cost from $550 to $600, to run a train up to the mine and back, account of maintenance and everything else, because it is a rough, heavy business. The cars are loaded with steam shovels. That steam shovel gets 2½ or 2 cubic yards, which would be 5 tons. They are in a hurry, and swinging around if they happen to hit the side of a car, it does not do the car any good.

It has a rough, hard usage. The repairs to these cars is quite an item. They are good for nothing else. And, too, the railroad would only be operated on a profit for seven months in the year.

Mr. YOUNG. What does this $550 or $600 include?

Mr. HILL. That includes the moving of the train?

Mr. YOUNG. The maintenance of the track?

Mr. HILL. The maintenance of the track.

Mr. YOUNG. And the cars?

Mr. HILL. And the cars, the superintendence, the dispatching, and so on.

Mr. YOUNG. Everything except the interest on the investment?

Mr. HILL. Yes.

Mr. YOUNG. And the general superintendence?

Mr. HILL. At 60 cents for hauling the ore, after paying the sorting and docking and delivery, you have to carry about a thousand tons to pay your expenses. When you stop to think that 350 tons is the average load in the United States of a train, you will see that the ore could not be moved unless you could move it in very large trainloads.

Mr. YOUNG. Well, you are carrying approximately 4,000 tons?

Mr. HILL. We are trying to.

Mr. YOUNG. And if 1,000 tons pays your entire expense, the 3,000 tons would be clear profit; that would be 300 per cent?

Mr. HILL. I think that we have, outside of the docks, about twenty-four or twenty-five million dollars invested in the property that is handling ore, and that all has to be thrown away within a short time; that is, when the ore is exhausted.

Mr. YOUNG. You mean that your railroad and its equipment and so on——

Mr. HILL. You could not use the equipment for anything else?

Mr. YOUNG. It makes about $24,000,000 invested in the road and equipment.

Mr. HILL. Yes.

Mr. YOUNG. You have to earn of course the interest on that money.

Mr. HILL. Yes. That road was built without bonds. It was built with the proceeds of stock sold at one hundred cents on the dollar and the stockholders expected something for their investment, and they have always been able to get it.

Mr. YOUNG. As I understand it, you carried last year something over 10,000,000 tons at 60 cents. That would be $6,000,000. The actual cost of doing the business aside from this interest would be only $1,500,000.

Mr. HILL. That was carried during the summer months. You have to carry the cost through the winter, repair your outfit, and so on, so you can not make that up until the end of the year. I can give you the year ending 1911.

Mr. YOUNG. I would be very glad to have it.

Mr. HILL. The Great Northern Railroad paid its interest and dividends and had something over $2,000,000 as a surplus.

Mr. YOUNG. That is the whole system?

Mr. HILL. Yes, sir. The accounts are kept for the whole system.

The CHAIRMAN. Would you really earn that amount of money?

Mr. HILL. Did they earn that?

The CHAIRMAN. Yes; or was that merely a method of bookkeeping?

Mr. HILL. Oh, no; that is what it earned. Our accounts are kept under the supervision and direction of the Interstate Commerce Commission, and they are reported to them.

Mr. YOUNG. To go back to this ore business, as I understand it, you would receive for handling the ore $6,000,000. The cost of doing the business, maintenance, etc., would be $1,500,000, leaving you $4,500,000 for interest on $24,000,000, less fixing up your equipment.

Mr. HILL. And your railroad. It is very heavy service, the heaviest service I know of anywhere. The rails wear out on what we call the hill. Although going to the mines it is a grade of four-tenths of 1 per cent, the rails wear out every season, and sometimes faster on the curves.

But let me suppose. Suppose we use ordinary good standard engines; suppose we use ordinary good standard engines.

Mr. YOUNG. Yes.

Mr. HILL. About 1,000 tons would be the maximum load they could haul. If we could not devise any scheme that would enable us to make a profit, then there would be no reason why we should not use standard engines and let the cost be as high as we could make it.

I do not think because we have spent an enormous amount of money to get a good road, with the best equipment and best special engines that could be made, that we should not be allowed to realize any benefit from it.

Mr. YOUNG. I think, Mr. Hill, you ought to have a very liberal profit for your energy and foresight and forethought.

Mr. HILL. You can count the rate for next year at 60 cents. That will be the lowest rate that tonnage is carried for in the United States.

Mr. YOUNG. Any kind of tonnage?

Mr. HILL. Any kind.

Mr. GARDNER. Let me understand what you mean by that. Are you deducting the 20 cents docking charge there?

Mr. HILL. No; I was figuring on 15 or 16; something like that.

Mr. GARDNER. That is 45 cents straight.

Mr. HILL. Remember, if you had a three or four hundred mile haul, the rate per ton per mile could be made much lower.

Mr. GARDNER. Of course.

Mr. HILL. Because you have got terminal service at each end of the 100-mile haul.

Mr. GARDNER. I was not disputing that. What I wanted to get at was the meaning of your statement; how much you were allowing for docking charge out of that 60-cent rate.

Mr. HILL. That would be 15 or 16 cents; something of that kind.

Mr. GARDNER. Instead of 20, as it is at present?

Mr. HILL. Yes, sir.

Mr. GARDNER. In other words, 45 or 44 cents?

Mr. HILL. Yes, sir.

Mr. GARDNER. The railroad rate would be, in your opinion, the lowest charge?

Mr. HILL. For any haul of a hundred miles.

Mr. GARDNER. For any short haul of a heavy commodity?

Mr. HILL. Yes, sir. Now, take Marquette. What is the distance from the mines down to Marquette?

Mr. YOUNG. From Ishpeming it is only 15 miles. From Republic it is 37 miles. The rate is the same. The bulk of the ore is at Ishpeming and Negaunee.

Mr. HILL. What is the distance, 15 or 16 miles?

Mr. YOUNG. Fifteen from one and 18 from the other.

Mr. HILL. Say 20; that would make two round trips a day that they can do. We can make half a trip a day. That is, 100 miles is a day's work, and we have to run 220 miles to make a round trip. We would make a half round trip in a day, and they can make two round trips in a day with a locomotive. They get a higher rate per ton per mile than we do, although the rate is lower.

Mr. YOUNG. Yes; but that includes the docking charge, too?

Mr. HILL. So does ours. What is their rate?

Mr. YOUNG. Of course the docks are owned by the railroad company?

Mr. HILL. Yes.

Mr. YOUNG. So that you can not separate them?

Mr. HILL. Yes.

Mr. YOUNG. But on your theory that a fair docking rate would be 20 cents, it would leave them but 5 cents for carrying ore; or if it was 15 cents, it would leave them but 10?

Mr. HILL. I thought the Marquette rate——

Mr. YOUNG (interposing). Was 25.

Mr. HILL. I thought it was 30 or 40 cents. It is a switching proposition.

Mr. YOUNG. The Escanaba rate is 40 cents, and that is a 65-mile haul. On a haul from Ishpeming, at a 15-cent docking charge, they would be getting but 10 cents as against your 45?

Mr. HILL. The Duluth, South Shore & Atlantic haul some of that ore.

Mr. YOUNG. Yes.

Mr. HILL. What does their stock sell for?

Mr. YOUNG. That road, as you know a great deal better than I do——

Mr. HILL (interposing). I do not know much about it.

Mr. YOUNG (continuing). Runs through a great deal of country where there is very little return.

Mr. HILL. The Lake Shore runs along the south shore of Lake Erie, and that runs along the south shore of Lake Superior.

Mr. YOUNG. Yes. There is a very sparse population in northern Michigan. Many miles of that road run at a loss, of course. That road has never paid a dividend.

Mr. HILL. No; and has not paid expenses, has it?

Mr. YOUNG. Well, it has not always paid the interest on its bonds. The Canadian Pacific has sometimes had to do it, but that is not because of the trouble in the ore traffic. It is because of this long distance outside of the ore country which gives them very little business.

Mr. HILL. But the railroads are assured of their business as a whole.

Mr. YOUNG. Oh, yes; the Chicago & Northwestern, I believe, has been reasonably profitable.

Mr. HILL. Yes, fairly.

Mr. YOUNG. That rate is 40 cents, and taking out your 15-cent dockage charge, that would leave 25 cents.

Mr. HILL. For what distance?

Mr. YOUNG. Sixty-five miles.

Mr. HILL. Very well. And the other would leave 45 cents for 115 miles.

Mr. YOUNG. Yes; but is it not true, Mr. Hill, that the longer haul can be made at a much less rate per mile than a short haul of 20 or 60 miles?

Mr. HILL. No; the 60 miles would be a swing run. They would run out and back the same day. They make a round trip a day, and it takes us two days to make a round trip.

Mr. YOUNG. That is 120 miles.

Mr. HILL. They make that. They do not pay a day's work for 65 miles, do they?

Mr. YOUNG. No; I think not.

Mr. HILL. They make a round trip, what is called a swing run.

Mr. YOUNG. Of course, they pay for more hours.

Mr. HILL. And so do we.

Mr. YOUNG. You pay for the actual hours you run, do you not?

Mr. HILL. No; we pay by the mile and the hour. That is, 100 miles is a day's work. If they make that in 6 hours they are paid, and if they run 115 miles they get paid for 15 miles more.

Mr. YOUNG. So you regard the 60 cents as a very reasonable rate?

Mr. HILL. A very low rate. Unless the railroad should prepare itself at great expense with heavy equipment, rails and cars and everything connected with it, they could not make any money. Then when they are through they can not use that equipment anywhere else. It has got to stand idle five months in the year.

Mr. YOUNG. Then would you say the reason of these profits, I might say almost extraordinary profits, were the exceptional conditions there, having a tremendous tonnage, good grades, very large investment in the road, and excellent facilities for doing business?

Mr. HILL. The best facilities that the human mind can contrive. I think under ordinary conditions that the human mind can contrive. I think under ordinary conditions under which freight is moved, those

rates would make a loss. It has got to be borne in mind that it is a special service with equipment that can not be used anywhere else.

Mr. YOUNG. I understand.

Mr. HILL. And when you are through with it you have to throw it away. Those cars will hold about 15 to 18 tons of coal.

Mr. YOUNG. Yes.

Mr. HILL. Well, nobody wants to haul a coal car unless it will carry 40 or 50 tons of coal; it is not profitable unless you can do that.

Mr. YOUNG. I suppose you haul coal back when you can get it, in those cars?

Mr. HILL. Very little.

Mr. YOUNG. You haul back what you can get to haul?

Mr. HILL. There is nothing to go back of any consequence. There is some coal, but I think the company's coal is usually hauled up in coal cars of 50 tons.

Mr. YOUNG. These figures of yours as to the $24,000,000; is that the actual cost, or is that a loose estimate?

Mr. HILL. It is an estimate, but I think it is below the actual cost.

Mr. YOUNG. What could you replace that road for now, and the equipment?

Mr. HILL. I do not think you could replace it for $30,000,000.

Mr. YOUNG. You think it would cost more now than it did when it was built?

Mr. HILL. Oh, yes; and the right of way would cost a great deal more.

There is anther question. It is an expensive road to build. A great deal of it was built on peat bog. Those peat bogs had to be drained. One place we had to build about 35 miles of ditches, 6 or 8 feet deep, so as to draw the water out of the bog and have it settle. The main portion of the road, running in one direction, empties in another, and the track would creep as much as four and five feet in a day. We had to make the embankment very wide, and then use ties 18 feet long and let them project—stagger them, alternately, on one side and the other.

Mr. YOUNG. How would the cost of building your road compare with the cost of the Missabe & Northern?

Mr. HILL. I do not know.

Mr. YOUNG. You are familiar with that road?

Mr. HILL. I have never been over it. I have never been over a foot of it, that I know of.

As to these bogs, I know of one case where we took old iron and light engines—laid them on the frozen earth; shoveled it off and leveled it up, wedged it up, and hauled the material in from gravel pits, some 20 or 25 miles; put the grade in that way. It would sink anywhere from 3, 4, and 6 feet in the month.

You have got to have a very permanent railroad in order to carry the load that we carry.

Mr. YOUNG. How heavy a rail do you use there?

Mr. HILL. Ninety pounds. There are a great many changes about the mines, you know, handling a thousand cars in a day. A thousand cars would be between 5½ and 6 miles long if put in one train. These yard tracks and tracks at the mines have to changed continually. They are shoveling the ore out, and where the track was to-day, a

week hence the ore would be shoveled out maybe 25 feet below it. There is a great expense attending the changing of the tracks.

Mr. YOUNG. Do you have a single or double track?

Mr. HILL. We really have three tracks going into the mines now. But where we go into the mines it is double tracked.

Mr. GARDNER. I have a few questions that I would like to ask Mr. Hill, if we are to go on.

Mr. HILL. I have a great deal to do, and if the committee can get through with me to-day it would be a great favor. I will try and answer every question. I have not a thing to conceal about this. I want to be entirely frank with you.

Mr. YOUNG. I have no doubt about that.

Mr. HILL. And any information or light I can throw on it, I am very glad to do it.

The CHAIRMAN. We will do the best we can. This is a very important matter.

Mr. BARTLETT. What is the charge per ton per mile for hauling freight?

Mr. HILL. It depends altogether on the amount of freight and what the freight is.

Mr. BARTLETT. Take ore.

Mr. HILL. It depends on the amount of the tonnage. It is a good deal like raising a tax. For instance, railroads have got to have so much money with which to pay operating expenses, taxes, and return on the investment. It has got to have so much money. If it had 100,000 tons, and it had to raise $100,000, it would have to make a profit of $1 a ton. If it had 200,000 tons, 50 cents a ton would give it the $100,000. If it had 400,000 tons, 25 cents a ton profit would give it the $100,000.

It is almost like levying a tax. If it is a frontage tax, the more feet you have to distribute the amount over, the less it will be per foot, and the more tons you have to distribute it over, the less it will be per ton per mile.

Mr. BARTLETT. Taking all those things into consideration, what would be a reasonable ton-mile railroad charge for hauling that sort of freight?

Mr. HILL. It depends on——

Mr. BARTLETT (interposing). If you went before a railroad commission, where your rates were charged as being unreasonable.

Mr. HILL. I will try and answer that. If you could get a low grade—if you can get a grade of 16 or 21 feet to the mile, you can make an entirely different rate from what you could with 40 or 50 feet to the mile, or 52.8, which is 1 per cent.

It depends on the load you carry. It is just the same as you are running a stage, and the stage has seats for 16 passengers. Now, whether you are carrying the full number or carrying 8, it would be very difficult to figure the difference in the cost.

Mr. BARTLETT. It would cost you almost the same.

Mr. HILL. Almost the same. If you are carrying a load of brick, if you had a big strong pair of mules or heavy horses, or a big truck and a paved road, you would haul 2,000 brick in a load, and you pay the teamster. If you had a poor road, a light wagon, and hauled five or six or eight hundred brick, it would cost you about the same. You have to pay the man.

he CHAIRMAN. At that point, Mr. Hill, how many miles of road are there in the system?

Mr. HILL. About 7,500.

The CHAIRMAN. Have you any 120 miles of road in that 7,500 miles upon which the traffic is as dense as it is on this 120 miles of road?

Mr. HILL. No, sir.

The CHAIRMAN. Is there 120 miles of road in the world where the traffic is as dense as it is over this road?

Mr. HILL. Oh, yes.

The CHAIRMAN. Where?

Mr. HILL. I think the traffic is heavier on the entire Pennsylvania Road between Pittsburgh and Philadelphia.

The CHAIRMAN. I thought perhaps the P. & L. E. might approach it.

Mr. HILL. I think it is heavier, on the average, on the Pennsylvania Road. The average for the Lake Shore Road for 1,700 miles and more is a greater density of traffic for the whole, light and heavy. And they run the year around.

The CHAIRMAN. That is where they have four or five crews? I mean for the season when they are running, is there a density of traffic on it?

Mr. HILL. Oh, yes. I think there is a greater density of traffic on some of the roads than with us.

The CHAIRMAN. What time intervenes ordinarily between one train of cars and another, on your road?

Mr. HILL. I do not know; it varies.

The CHAIRMAN. Is it over 20 minutes?

Mr. HILL. Oh, yes; two hours. As a general thing they will start in the evening; they will load during the day and start down during the evening, and arrive in the morning.

Mr. BARTLETT. Can you tell what the Great Northern made per ton per mile on its system last year?

Mr. HILL. Yes, sir.

Mr. BARTLETT. What was it?

Mr. HILL. Eight and one-tenth mills.

Mr. BARTLETT. On its entire system?

Mr. HILL. Yes, sir.

Mr. BARTLETT. What did this road earn?

Mr. HILL. Per ton mile?

Mr. BARTLETT. Yes.

Mr. HILL. I do not know.

The CHAIRMAN. How many miles did you have; 120 miles, is it?

Mr. HILL. One hundred and fifteen. It is all merged, and I gave the average of the whole road. The average of the railroads of the United States is about seventy-six one-hundredths of a cent. Our average is 8.1 mills.

Mr. BARTLETT. You stated, in answer to a question of Mr. Young's, you thought the Steel Corporation would have been derelict of their duty if they had not availed themselves of the opportunity to purchase this ore?

Mr. HILL. I should have felt so, if I was one of the responsible officers.

Mr. BARTLETT. Why do you think that?

Mr. HILL. Because you must bear in mind the enormous investment, the enormous plant, that they own. What is it worth if they

have not got ore? What will they do with it if thay have not ore? If they have to use the low-grade ores, thay have got to use about 2 tons for one. They have to pay freight on it, and they have to use fuel to carry off the foreign substances. I would say that the cost per ton of pig iron would be increased from 50 to 60 and 65 per cent. It is an open question whether somebody would not within the two years lay down in Brooklyn pig iron from China for $17 a ton.

Mr. BARTLETT. Would you think it a little derelict in them to give up a good thing like that?

Mr. HILL. I can not account for it, and will not try.

Mr. REED. If you would like to read the Commissioner of Corporation's criticism of it, Mr. Hill, I will be glad to give you a copy.

Mr. HILL. I have not time. I started to read it and did not finish it. I do not know the gentleman. I think his figures are all correct. But I think the deductions that he attempted to draw were not such as I would draw if I was trying to arrive at the facts.

Mr. BARTLETT. It is much more important for them to have this ore property now than it was in 1907?

Mr. HILL. I think it was very important at both times. I think it important for them to have it as soon as they could get it.

Mr. BARTLETT. And to keep it as long as they could.

Mr. HILL. We are not wearing any crape because they surrendered it.

The CHAIRMAN. At that point I call your attention to one thing, that this reduction in freight rates, as far as the ore company is concerned, does not make any difference, does it, to them? They are not hurt by it?

Mr. HILL. No.

The CHAIRMAN. Your leases all contain the provision that any reduction in freight rates shall be added to the royalty.

Mr. HILL. The royalty runs as provided in the lease until the lease is canceled.

The CHAIRMAN. I understand, but outside of that your contracts with the——

Mr. HILL (interposing). With the Mahoning.

The CHAIRMAN. With the Mahoning; you have loads of stuff that the Steel Corporation has not anything to do with.

Mr. HILL. We carry ore for the steel company; that would be carried at the current rate.

The CHAIRMAN. Here is the Mahoning and the Stevenson.

Mr. HILL. That would be carried next year at 60 cents.

The CHAIRMAN. Have you a single lease that does not provide that in the event the freight rate is lowered for any reason the same amount that is taken from the freight rate shall be added to the royalty?

Mr. HILL. The only lease carrying that condition is the steel.

The CHAIRMAN. The Steel Corporation's lease?

Mr. HILL. Yes, sir.

Mr. GARDNER. Carrying what condition?

Mr. HILL. The other leases pay the current rate, whatever it may be.

The CHAIRMAN. Do you not carry some ore for the Jones & Laughlin Co.?

Mr. HILL. Yes, sir.

The CHAIRMAN. Does not your lease with them provide to that same effect?

Mr. HILL. For the current rate, whatever it may be. If the rate is lower, they get the benefit.

The CHAIRMAN. It does not get the royalty?

Mr. HILL. No; not at all; it has nothing to do with royalties.

The CHAIRMAN. As to these leases you purchased; have you not purchased a great number of leases in which that provision is inserted?

Mr. HILL. No.

The CHAIRMAN. For instance, was it not the custom with persons making agreements with you—other people than the Steel Corporation?

Mr. HILL. No.

The CHAIRMAN. Have you not done this, even—have the fee owners deed you the land, then deed it back to him with this freight-rate agreement running with that land? Has not that been done repeatedly?

Mr. HILL. Oh, no. I think there was one man, a very nice old fellow. You know him—Johnnie Jones.

Mr. YOUNG. Very well, indeed; John T. Jones.

Mr. HILL. Well, John had a 40,000-acre piece. He wanted my son to buy it. He wanted $250,000. I told my son I did not want to invest so much money; that it would make me too hard up—tying it up for I do not know how long. It was before we turned this over to the company. I said I did not know how long it would take them to be in shape to pay me back, and it was too much.

Johnnie had not money to improve it, or to explore it. My son said to him, "I will lend you the money to explore the land and show what you have got." He claimed that he had an excellent property. My son said, "You go to Johnnie Williams, who is also a Welshman, a lawyer, and let Johnnie convey the property to him. I will give you a bond for a deed—that is, when you pay back the amount I will convey it back to you, and that will be the deed. In the meantime, I think, if you will show us that you have what you think you have, I will sell it for you. I do not want to pay the amount that you ask for it, but I will sell it for you, and I will get what I can."

Johnny opened it, and I think my son sold it. Johnny told me about it. He said, "Your young man sure is my mascot; he sold that piece for over $400,000, and he would not take a copper cent as commission." He said, "I have put in the lease that the transportation will go over the Great Northern, and that is all I could do for him."

The CHAIRMAN. And the further provision that if the freight rate was lowered that the royalty should increase accordingly?

Mr. HILL. No such condition at all, Mr. Chairman. There is no such condition in any lease, except with the Steel Corporation, and there is no such condition in there. The royalty and the transportation is in one amount.

The CHAIRMAN. One amount; and in case the steel company does not cancel this lease and you drop your freight rate then you would be paid 20 cents more a ton than anybody else?

Mr. HILL. Yes.

Mr. YOUNG. And continue to do that until 1915?

Mr. HILL. Yes. We were not anxious to make that lease, and unless it was made on conditions that were entirely satisfactory we would not make it.

The CHAIRMAN. You knew that Judge Gary did not want to make that lease?

Mr. HILL. No.

The CHAIRMAN. Judge Gary did not want to make that lease, did he?

Mr. HILL. Did he?

The CHAIRMAN. Yes.

Mr. HILL. He was the man who signed it. He did not tell me he did not want to make it.

Mr. YOUNG. He has never sworn he did not want to make it.

The CHAIRMAN. Is it not true that Judge Gary did not want to make that lease?

Mr. HILL. I do not know anything about it. I never ran after them. I never offered it to him. They came to me.

The CHAIRMAN. With whom did you negotiate for that lease?

Mr. HILL. I could not say who began it—some of the directors. But it was wound up mainly with Judge Gary.

The CHAIRMAN. How long was it that these negotiations were pending before this lease was finally concluded?

Mr. HILL. I think from the time they took it up until it was closed it was over a year.

The CHAIRMAN. Why was it hanging fire so long?

Mr. HILL. They thought the price was high, and I told them they were under no obligation to take it if they did not want it.

The CHAIRMAN. Was there any one man connected with the Steel Corporation that insisted this lease should be made, that it was a good, wise business proposition—one far-seeing business man, that you recall?

Mr. HILL. I think that they all mainly—I was never present at their meetings; they usually came to my office.

The CHAIRMAN. You knew who was in favor of it and who was opposing it while it was pending for this year, did you not?

Mr. HILL. I do not understand.

The CHAIRMAN. You knew what made it hang up; who wanted to do it and who did not?

Mr. HILL. No; I knew nothing about their internal affairs.

The CHAIRMAN. Were you ever advised that Mr. Morgan insisted that this lease be made?

Mr. HILL. That he insisted?

The CHAIRMAN. Yes.

Mr. HILL. No, sir; I never was so advised.

The CHAIRMAN. Do you know what this Northwestern Improvement Co. is?

Mr. HILL. I think that is a Northern Pacific proposition and holds some outside properties.

The CHAIRMAN. I notice it holds a great deal of ore up here. One man estimated it at about 2,000,000 tons.

Mr. HILL. That is not considered a large mine.

The CHAIRMAN. Over what road was the ore hauled that came out of the Northwestern Improvement Association properties?

Mr. HILL. The Great Northern. That came under the trustees lease, and all the ore covered by the trustees lease was carried over the Great Northern Railway.

The CHAIRMAN. And persons who were interested in the Great Northern and in the Northern Pacific, if this was a good contract, would benefit by it, would they not?

Mr. HILL. The Northern Pacific got just the same rate of royalty for their ore that the trustees got, less the expense of carrying it on.

The CHAIRMAN. Who in the Steel Corporation was interested in the Northern Pacific, do you know?

Mr. HILL. I do not know. I do not know that anybody was.

The CHAIRMAN. Do you know whether Mr. Morgan occupied that dual position or not?

Mr. HILL. I do not know. Mr. Morgan, if I remember, is not a director of the Northern Pacific. I am not. I have heard he was interested in it more or less.

Mr. GARDNER. There are three things I had in mind to ask you about. One was the cost of ore transporation which has been so exhaustively gone into. As matter of fact, that is now before the Interstate Commerce Commission, is it not—the question of the reasonableness of the 60-cent rate?

Mr. YOUNG. No, I think not.

Mr. LINDSAY. It is; it is before the Interstate Commerce Commission. The hearing just closed a week ago.

Mr. GARDNER. Could you answer me the question as to when they are likely to render a decision?

Mr. HILL. I have no idea.

Mr. GARDNER. Perhaps your counsel might make a guess.

Mr. LINDSAY. When they are likely to make a decision?

Mr. GARDNER. Yes.

Mr. LINDSAY. The complainants have until the 23d of this month to file a brief, and we have until the middle of March to file a brief.

Mr. GARDNER. The question in my mind was whether it was worth while for us to go any further into that in view of the fact that the Interstate Commerce Commission was taking that up as an exclusive subject.

Do you think there is likelihood of a finding being handed down inside of six months?

Mr. LINDSAY. There certainly will be.

Mr. GARDNER. Inside of three months?

Mr. LINDSAY. I should say inside of three months.

Mr. GARDNER. Then I will go on to the other questions, Mr. Hill.

What I want to find out is as to two entirely different things. In the first place, I want, if possible, to arrive at the motives of the United States Steel Corporation in making that lease, whether it was a plain business venture—a plain business operation, as you have indicated—or whether it was a desire to monopolize the raw material to prevent competitors coming in, as is indicated by Mr. Herbert Knox Smith's report. That is one of the things I am trying to get through my head.

The other thing is the value of the ore land in 1901, when the United States Steel Corporation was formed. The reason we want to get at that is because it has been charged that the United States Steel Corporation was tremendously overcapitalized in its formation, and that some six hundred millions of that overcapitalization was concealed by overvaluing their ore lands to the extent of six hundred million.

They are two entirely different subjects that I want to get at. One is the value of the ore land in 1901, with a view to ascertaining how

much the Steel Corporation was overcapitalized; and the other is their motives in making this lease, whether it was to exclude competition or whether it was to protect their business in the future.

Now, please follow me in those two things. I begin with the lease, and ask you to see if I understand it correctly.

You had—and by "you" I mean the Lake Superior (Ltd.)—65,000 acres of land, of which 39,000 were leased to the Steel Corporation. Is that correct?

Mr. HILL. That is correct.

Mr. GARDNER. That left 26,000 acres still in your hands?

Mr. HILL. There was about 1,000 acres leased to the Mahoning Co.

Mr. GARDNER. That is what I am coming to. There were 26,000 acres outside of that which you leased to the United States Steel Corporation.

Mr. HILL. About.

Mr. GARDNER. You leased that to the United States Steel Corporation on a royalty which was the equivalent of 85 cents on 59 per cent ore. That is, we will call it, for the sake of convenience, a royalty of 85 cents a ton on ore.

Mr. HILL. Yes.

Mr. GARDNER. That royalty was to increase from year to year as time went on at the rate of 4 cents annually.

Mr. HILL. Four per cent annually.

Mr. GARDNER. Not compounded, but 4 per cent annually on 85?

Mr. HILL. Yes.

Mr. GARDNER. What was the reason for that increase?

Mr. HILL. Because it was worth it. That is my judgment; it was worth it.

Mr. GARDNER. Was that because a deferred payment of 85 cents, deferred for a year, would naturally carry 4 per cent interest?

Mr. HILL. Yes. I placed the present value, for the purpose of that lease, at 85 cents. If they wanted to take a long time to mine it, they could do that by adding 3 cents and 4 mills a ton to the price of the ore each year, over the price of the previous year.

Mr. GARDNER. In other words, if they wanted to postpone that payment of 85 cents to the future, they must pay an interest on that 85 cents?

Mr. HILL. No; they could not postpone. They had to pay for what they mined; and if they did not mine, if they did not take that ore out of the ground, and let it lay there for 15 or 20 years, they would have to add 3 cents and 4 mills a ton a year.

Mr. GARDNER. In other words, if I understand the reasoning of that 4 per cent increase annually, you wished to derive a price for your ore as if they were buying it at fee—at 85 cents cash?

Mr. HILL. Yes; present value.

Mr. GARDNER. Therefore we may assume, may we not, that, in your opinion, in 1907 the value of that ore was 85 cents a ton in fee?

Mr. HILL. I think that was a low value.

Mr. GARDNER. But it was a value at which you were willing to trade?

Mr. HILL. Yes, sir.

Mr. GARDNER. In your opinion had ore increased a great deal in value prior to 1907 at the time that you made that trade?

Mr. HILL. The question of value is relative. The market price of ore at Lake Superior ports, where the furnaces buy it—if that is taken as a standard for establishing the price of ore—the ore was worth as much in 1901 as it was in 1905 or 1906. I think the Lake Erie price was as high.

Mr. GARDNER. But we are talking about the fee, the ore in the ground.

Mr. HILL. Let me explain. It is very difficult to fix a price on that ore unless you can find a market price, or some standard, to measure by.

Mr. GARDNER. But you did, in 1907, find a price for fee ore equaling 85 cents a ton?

Mr. HILL. The trustees in 1907 mined from the Leonard mine and shipped to Lake Erie ports. I think it paid them $1.40 or $1.45. We established the value of the ore to them.

Mr. GARDNER. If they could repeat that performance in other years. But at all events, in 1907 you made a trade at 85 cents, or its equivalent in future years, the equivalent of a trade of 85 cents for your ore in the ground.

Mr. HILL. Yes, sir.

Mr. GARDNER. As you probably know, in 1902, in court proceedings in New Jersey, I rather think it was, Mr. Chairman, was it not?

Mr. REED. It was in New Jersey.

Mr. GARDNER. In New Jersey the United States Steel Corporation swore to a valuation of $1 a ton for their ore which they owned in fee, and for the equity on their leases, at $1 a ton, which has been held by Herbert Knox Smith as an exceedingly high valuation. He valued it somewhere around 13.6 cents a ton.

In 1907, assuming your lease was made at the right time, it was 85 cents a ton, and, probably, during 1901; it is between those two extremes. Now, can you help us to arrive——

Mr. HILL (interposing). I could not throw any light upon that subject whatever, except using the market value or selling price of ore in cargo lots at Lake Erie.

Mr. GARDNER. Why would it not be a great deal simpler to use the selling price of fee ore in the ground?

Mr. HILL. But few people buy fee ore in the ground, and a great many people buy ore on the docks at Lake Erie ports.

Mr. GARDNER. There were a great many people taking leases, however.

Mr. HILL. There were some people taking leases who never mined a ton.

Mr. GARDNER. Yes; but the price of the lease was some indication.

Mr. HILL. No; they would take leases and sell the leases. A great many men made a good deal of money by obtaining a piece of land containing ore, getting a lease on it; then developing it to some extent, selling the lease, selling the right to mine it.

Mr. GARDNER. If I had a big lease which I had taken at a 25-cent royalty, and I sell it with a bonus which will figure it, perhaps, to a 35-cent royalty—at all events, that is not worth 85 cents, is it?

Mr. HILL. What would you buy it for?

Mr. GARDNER. Suppose I took a lease from the State of Minnesota.

Mr. HILL. If you bought it for the purpose of leaving it in the ground——

Mr. GARDNER (interposing). Suppose I took it for the purpose of speculation, and took it from the State of Minnesota?

Mr. HILL. I don't know anything about it. I never speculated in ore. But if you took it to leave it in the ground it would not have any value, but if you are going to take it with the idea of converting it——

Mr. GARDNER. Do you know Mr. Leonard Hanna?

Mr. HILL. Yes.

Mr. GARDNER. Is he a man of some knowledge as to the value of ore land?

Mr. HILL. I think so.

Mr. GARDNER. He testified before us in New York, if I recollect correctly, that the value of ore land had increased a great deal between 1901 and the time the Tennessee Coal & Iron Co. sold to the United States Steel Corporation in 1907; that it had gone up tremendously.

Mr. HILL. Did not he mean the market price when he was talking about the values?

Mr. GARDNER. I think so.

Mr. HILL. So do I.

Mr. GARDNER. I do not think he could have meant the metallic or manufacturing value, Mr. Hill.

Mr. HILL. No; I think there would be no change in that, because the price of rails has been the same.

Mr. GARDNER. He would have entirely mistaken the gist of our questions if he had meant except the market value. In your opinion the market value had gone up tremendously between 1901 and 1907, had it not?

Mr. HILL. Of ore?

Mr. GARDNER. Yes; ore in the ground.

Mr. HILL. No, not ore in the ground.

Mr. GARDNER. Fee ore.

Mr. HILL. There were not many transactions as to fee ore in the ground.

Mr. GARDNER. Well, then, the royalties on the leased ores in the ground.

Mr. HILL. The royalties began to advance. The first I knew of them the State could not lease any ore at 25. The legislature had fixed it——

Mr. GARDNER (interposing). What year was that?

Mr. HILL. About 1897 or 1898. The lumber men were glad to get rid of the ore. They had business outside. The Wright & Davis people sold their standing timber to Weyerhouser on the land they sold me. They asked him $75,000 for the fee, and he would not take it. He would take the stumpage, but he would not take the fee. I think the facts have shown he made a great mistake and that the value was there at the time.

The market price was not there because they did not know about the extent of the ore deposits, whether there was much ore or not.

Now, Mr. Walker sold us a half interest in his cut-over lands at a low price. I think he sold it to us for $200,000. He made a lease to the steel company; I don't know what the royalty was, but he got a million dollars for the lease.

It might have been 1898 or 1899 when John Gates bought the Sauntry mine and paid seven or eight hundred thousand dollars for

it. Within a month of the time he bought it I offered him a million dollars profit.

Now, how are you going to establish the value?

Mr. GARDNER. Only by averages.

Mr. HILL. I do not think the averages would be worth a penny, Mr. Gardner.

Mr. GARDNER. Well, it all depends. We know that in 1907, in your opinion, ore in the ground was not worth over 85 cents, or you would not have made the lease.

Mr. HILL. There is a good deal of difference in making a transaction of that size and having it disposed of with an advance of 3 cents and 4 mills a ton to carry on the mining of ore. It is not like going out and cutting a cord of wood. It is a very big business, the carrying on of ore mining. It is done in a large way, taking out five, six, or seven million tons of ore a year and 10,000,000 tons of ore a year. It is a tremendous business. Do you know that the amount of material taken out in stripping the ore fields that is moved from there is about equal to all the earth that is moved in digging the Panama Canal? It is no plaything.

The CHAIRMAN. Mr. Hill, that is true. I was told when I was out there that the engineering operations exceeded in magnitude the digging of the Panama Canal; that dirt was being heaped literally into mountains, all around ore fields.

Why did the Steel Corporation, after going to this enormous labor of literally removing mountains, abandon those mines upon which they had spent many millions of dollars, and go to work hunting new ore? Your mines, some of them, were not even explored. I don't believe there were 10,000,000 tons of ore, outside of the ore that was leased, in all your properties.

Mr. HILL. And if there were not, they would not have to pay for it.

The CHAIRMAN. They would have to pay for the drilling.

Mr. HILL. Yes.

The CHAIRMAN. You told them you thought they had ore there.

Mr. HILL. I think they knew more about it than I did.

The CHAIRMAN. They agreed to pay you $1.65 a ton for all the ore they could find.

Mr. HILL. Including transportation.

The CHAIRMAN. Including transportation, when they had already found and stripped bodies of ore aggregating 700,000,000 tons.

Mr. HILL. They had not done anything of the kind.

The CHAIRMAN. What had they done? I do not mean they distributed it all, but they had 20 or 30 great mines open.

Mr. HILL. I think probably they had 5 or 6 mines open at that time; maybe 8 or 10.

The CHAIRMAN. Does that look to you like good business, to desert great mines like the Hull-Rust and the Sauntry?

Mr. HILL. But the Hull-Rust was not open.

Mr. REED. There is no evidence that the Hull-Rust mine has been deserted.

The CHAIRMAN. I mean when they have their own transportation facilities, not to mine it, as long as there was ore in it.

Mr. HILL. The Hull-Rust was not open at that time.

The CHAIRMAN. I can understand why they leased the ores and held them on reserve, but why did they include an agreement to lease them and explore and develop them?

Mr. REED. Because they could not get the lease without agreeing to take out a minimum.

The CHAIRMAN. They wanted it all.

Mr. HILL. They wanted ore, and I think they were highly justified in getting all the ore they could. I think it would have been a mistake for them not to get all the ore they could, as a business proposition.

Mr. GARDNER. Now, to return to the value of ore in 1901, fee ore. I am sorry to be so persistent, but we have had a great deal of difficulty about it. I was telling you Mr. Hanna's evidence that the price of fee ore had increased a great deal after 1901. It seems to be the general concensus of opinion. Have you any comment you wish to offer on that valuation of $1 a ton which the United States Steel Corporation placed on their ore, to which I have referred?

Mr. HILL. No, sir; I have not.

Mr. GARDNER. You think it was a fair valuation?

Mr. HILL. I think that if they wanted to buy or if they had to buy the ore they used in the open market, they would have had to pay fully the equivalent of $1 a ton for the ore in the ground. I do not think they could have supplied themselves unless they owned mines and operated them.

Mr. GARDNER. But not six years later they got lands from you at a valuation of 85 cents?

Mr. HILL. Yes; I think they got a low lease.

Mr. GARDNER. You think that $1 a ton would be about fair, do you, for its valuation?

Mr. HILL. I would prefer not to put any price on it for I do not know how to make any price on it except based on market price, from year to year.

Mr. GARDNER. Do you call 20,000,000 tons a pretty fair-sized mining property?

Mr. HILL. It is a large mine.

Mr. GARDNER. Are you familiar with the Sharon mining property?

Mr. HILL. I know where it is. It is a hole in the ground. I do not think they have mined but little. We own on two sides of it, if not on three.

Mr. GARDNER. It was purchased by the United States Steel Corporation in 1902 at a cost of $4,400,000, according to their report.

Mr. HILL (interposing). I think they made an excellent trade, if there are 20,000,000 of tons in it. I did not know there was so much.

Mr. GARDNER. That was the estimate.

Mr. HILL. I do not know; I have no knowledge as to the amount.

Mr. GARDNER. That figures at 27 cents a ton. Do you mean to say that the owners of the Sharon property sold at 22 cents a ton something which was worth 85 cents a ton?

Mr. HILL. But my dear sir, I do not think it has any relation to it at all.

Mr. GARDNER. Is there any relation between the price of sale and market price?

Mr. HILL. The only way I know to establish a price is the price at which it is sold at from month to month in the ore market. I do not know any other way.

Mr. GARDNER. The price of the finished product at the Lake Erie port may be governed by a great many other considerations.

Mr. HILL. Deducting the freight and cost of mining, that would leave the value of the other.

Mr. GARDNER. You have to provide for the cost of the superintendence.

Mr. HILL. That would come in the cost of mining.

Mr. GARDNER. Why is there not a truer method of getting the actual sales of fee ore?

Mr. HILL. I do not think it would be worth a straw?

Mr. GARDNER. Why not?

Mr. HILL. Because if you went back five years more you would be on an entirely different basis.

Mr. GARDNER. Certainly.

Mr. HILL. Or if you went back 10 years, it would be a still different basis of comparison, until you would get back to where Mr. Weyerhaeuser refused to buy the Wright & Davis plant for $75,000.

Mr. GARDNER. We could go back to 1492——

Mr. HILL (interposing). The same principle would apply all the way through. I would rather take the market value of those things.

Mr. GARDNER. So should I. That is what I am contending for, the market value of fee ore land in 1901 and 1902.

Mr. HILL. I do not think the fee lands had a market value that was at all uniform. It was whatever you could get for them.

Mr. GARDNER. But supposing you found the highest fee value was only 25 per cent of the valuation put on it by the United States Steel Corporation, should you then think that the United States Steel Corporation's valuation was a sound one?

Mr. HILL. If they put their valuation at $1, if it was worth to them a dollar for the purpose of making steel, I think the price was not excessive.

Mr. GARDNER. But suppose you were charged with the duty, as we are, of calculating the actual investment?

Mr. HILL. If I could help you I would, but I do not know of any way to do it.

Mr. GARDNER. Perhaps you can. You have certain other lands in this Lake Superior Co. (Ltd.) which are leased to other parties other than the United States Steel Corporation. Is there a royalty on those leases?

Mr. HILL. That royalty was made on the Mahoning mine before we bought the land. I think their lease is worth $50,000,000. I think you could not buy it for that.

Mr. GARDNER. Were all your leases, except the Steel Corporation lease, made prior?

Mr. HILL. No; there was the Stephenson.

Mr. GARDNER. Have you any leases made since you made the Steel Corporation lease?

Mr. HILL. No, sir.

Mr. GARDNER. Did you make any in the five years previous?

Mr. HILL. To making the steel lease?

Mr. GARDNER. Did you make any lease between 1901 and 1907?

Mr. HILL. I could not recollect. I think there might have been one or two small ones.

Mr. GARDNER. Did you make the Stephenson lease?

Mr. HILL. Yes; I testified about that.

Mr. GARDNER. When?

Mr. HILL. When it was made?

Mr. GARDNER. Yes.

Mr. HILL. I could not recall. It was made after we acquired the Wright & Davis land.

Mr. GARDNER. Was it made before 1902?

Mr. HILL. Oh, yes.

Mr. GARDNER. Was it made before 1902?

Mr. HILL. I think so.

Mr. GARDNER. How about Utica?

Mr. HILL. I am not sure whether it was made before.

Mr. GARDNER. How about the Utica lease?

Mr. HILL. I do not know.

Mr. GARDNER. How about the Latonia lease?

Mr. HILL. That I do not know.

Mr. GARDNER. How about the Sweeney lease?

Mr. HILL. I do not know where it is. I do not know of such a mine. I have heard the names of the Utica and of the Latonia mines. I do not know where they are.

Mr. GARDNER. Do you know the year in which you made the Mahoning lease?

Mr. HILL. No; we did not make the Mahoning lease. I have testified repeatedly——

Mr. GARDNER (interposing). That is right. I beg your pardon. Do you know in what year that was made?

Mr. HILL. No.

Mr. GARDNER. Can anybody give that information?

Mr. REED. I do not know.

The CHAIRMAN. The Mahoning lease was made many years ago. It was made before he got possession of the Wright & Davis land.

Mr. HILL. That is right, Mr. Chairman.

The CHAIRMAN. And afterwards, when you bought the Wright & Davis land, that was an existing lease.

Mr. HILL. Yes.

The CHAIRMAN. And that was turned over to you?

Mr. HILL. Yes. We bought the property subject to the lease.

The CHAIRMAN. You bought the property subject to the lease, and the lease is held by the Cambria Steel Co.?

Mr. HILL. It is held by the Mahoning Co., of which the Cambria Steel Co. held control, as I understand.

Mr. GARDNER. The lease was made at all events before 1901, was it not, Mr. Chairman.

The CHAIRMAN. Yes.

Mr. HILL. I think it was made before 1895.

Mr. GARDNER. Now, these ore certificates of the Great Northern, as I understand it——

Mr. HILL (interposing). They are not of the Great Northern Railroad; they are ore certificates of the Great Northern ore property.

Mr. GARDNER. They are known as Great Northern ore certificates?

Mr. HILL. Yes, sir; but I wanted to keep it separate from the railroad company.

The CHAIRMAN. This Ruckard-Hurd report shows the rate of the Mahoning is as low as 12½ cents a ton. Of course they exceed that minimum.

Mr. GARDNER. It says 27½ to 12½.

Mr. HILL. I think the Madoning, while you speak of it, runs from 27½ down to 12½ or 15.

The CHAIRMAN. Twelve and one-half, if they mill over 1,500,000 tons, and the report says they do.

Mr. GARDNER. Is there not a security sold on the New York Stack Exchange, known of the Great Northern Iron Ore certificate?

Mr. HILL. Yes, sir.

Mr. GARDNER. That, as I understand from your evidence yesterday, is a certificate issued to the stockholders in the Great Northern Railroad, in proportion to the number of their shares of the Great Northern Railroad?

Mr. HILL. It was issued at the time of such issue to the shareholders of record at that time, and entitled them to a proportion of the income—that is, the net income—of the ore certificates.

Mr. GARDNER. In other words, everybody who had a share of the Great Northern Railroad got a certificate?

Mr. HILL. Yes, sir.

Mr. GARDNER. He was a proportional beneficiary?

Mr. HILL. That is right.

Mr. GARDNER. In the profits of this so-called Hill lease?

Mr. HILL. Yes, sir.

Mr. GARDNER. When were those Great Northern ore certificates issued?

Mr. HILL. I do not recall the date.

Mr. GARDNER. Well, about? When did they first appear on the New York Stock Exchange?

Mr. HILL. I think in December, 1906.

Mr. GARDNER. Did they issue before or after this lease was made with the steel company?

Mr. HILL. I do not carry that date.

Mr. REED. That lease was dated January 2, 1907.

Mr. HILL. They were issued a little before then; but the lease had been agreed upon and a protocol signed.

Mr. GARDNER. It was to be presumed that the market value of those certificates at that time represented the public estimate of the value of that lease which you made?

Mr. HILL. I do not think the public estimate is a safe guide at all.

Mr. GARDNER. Well, I will come to that later, but I wanted to know——

Mr. HILL (interposing). Not the market value. I do not know the market value one week to another.

Mr. GARDNER. Did you observe whether these certificates fell off any when the notice of cancellation of the lease was made?

Mr. HILL. I think they have sold off.

Mr. GARDNER. They have sold off?

Mr. HILL. Yes.

Mr. GARDNER. In other words, that the public, wise or foolish, said, "Why, that was a profitable lease, and we are sorry that our property has lost the lease"—did they not?

Mr. HILL. Take the gentlemen who make the prices on Wall Street, and their judgment of what mine property is worth in Minnesota, that they have never been within 1,500 miles of, would not influence me very much.

Mr. GARDNER. But you are rather shutting out all fields of speculation.

Mr. HILL. I do not take much interest in speculation; I never have.

Mr. GARDNER. You do not think, then, that the public estimate of whether this was a good lease or not, the estimate of business men in Wall Street, was worth the paper it was written on?

Mr. HILL. It has never influenced me particularly in my business.

Mr. GARDNER. But, as a matter of fact, they did think this lease a good thing—that is, the investing public.

Mr. HILL. I do not know what they thought, Mr. Gardner.

Mr. GARDNER. So far as the falling off of the value in the certificate, it would indicate it. It looked as if they thought it was a very good lease.

Mr. HILL. The transactions are not large, and I think those who hold the certificates are satisfied to hold them. I am satisfied to hold mine. I have not sold any. I have not considered they were worth any less. I rather feel they are worth more.

Mr. GARDNER. Is not the knowledge of the value of these certificates confined to a comparatively few persons?

Mr. HILL. It ought not to be.

Mr. GARDNER. It is a matter of public record?

Mr. HILL. Yes, sir.

Mr. GARDNER. For instance, did the stockholders of the Great Northern Railway in question know at the time that these certificates were issued what had been going on?

Mr. HILL. In the report of the railroad company was a statement made that ore lands had been acquired that would be disposed of for their benefit.

Mr. GARDNER. And they were at liberty to guess how little or how much they were worth?

Mr. HILL. They certainly were at liberty to guess anything they saw fit. But how could you or I, or anybody else, say what those lands were worth until they were explored?

Mr. GARDNER. I do not believe that you could, Mr. Hill. I will admit that.

Mr. HILL. I do not.

Mr. GARDNER. I do not believe you could.

Mr. HILL. I do not.

Mr. GARDNER. I believe you took your stockholders into your confidence all that you could.

Mr. HILL. Certainly.

Mr. GARDNER. But what I am trying to develop is that there was sufficient material, if it had been published, to allow the public to be some judge as to whether or not that was a good lease.

Mr. HILL. They had all the knowledge I had, briefly stated.

Mr. GARDNER. I do not know who are the large stockholders in the Great Northern Railroad.

Mr. HILL. Well, there are over 18,000 of them, and about 8,000 are women and children.

Mr. GARDNER. Who is the largest stockholder?

Mr. HILL. I do not know. I am a fairly large stockholder and always have been.

Mr. GARDNER. Perhaps some British subjects are very large stockholders, and Canadians.

Mr. HILL. They are in England, in France, in Holland, and in Scotland.

Mr. GARDNER. Is Lord Mount-Stephen a large stockholder?

Mr. HILL. Yes; he has been an old associate with me from the beginning. Also Lord Strathcona.

Mr. GARDNER. There are a good many of the same stockholders that are in the Canadian Pacific?

Mr. HILL. I have never seen a list of the Canadian Pacific stockholders. I do not know that Lord Mount-Stephen owns a share of Canadian Pacific. He is an old man.

Mr. GARDNER. Lord Strathcona was Sir Donald Smith?

Mr. HILL. Yes.

Mr. GARDNER. He and Angus are generally supposed to have been the originators of the Canadian Pacific?

Mr. HILL. I was one of the original Canadian Pacific syndicate, with others. I wrote the protocol under which the reorganization was made.

Mr. GARDNER. You do not know whether these parties have held their ore certificates?

Mr. HILL. I never asked them; I never looked at the list; I never saw a list of the stockholders. It was given to them; it was theirs. They could sell it or hold it, as they saw fit. If they wanted any information, the trustees would be glad to give it to them.

Mr. GARDNER. I want to ask a few more questions on this general situation as to ore lands, although it has been covered very thoroughly.

So far as Lake Superior ore lands are concerned, you said this morning that all ore lands in the Lake Superior region were owned by people; of course you included the State of Minnesota, naturally, as one of them. What proportion of the ore lands in Lake Superior region are owned by steel corporations?

Mr. HILL. I have no idea.

Mr. GARDNER. You have said this morning that 75 per cent were owned by the United States Steel Corporation.

Mr. HILL. Seventy-five per cent; no, with our ore.

Mr. GARDNER. I beg your pardon; with your lease?

Mr. HILL. They might own 70 or 75 per cent.

Mr. GARDNER. What I want to get at is the ownership of the other 25 or 30 per cent, whether it is owned by private individuals or dealers or merchants.

Mr. HILL. I think it is largely owned by persons, men that are steel manufacturers, who buy ore sometimes. There are men who deal in ore and also own furnaces. For instance, Hanna. They own furnaces and they sell ore. They sell ore for producers on commission. Is not that right, Mr. Young?

Mr. YOUNG. Yes. They do not go very much in the furnace business.

Mr. HILL. I think they have six or eight furnaces?

Mr. YOUNG. Oh, yes.

The CHAIRMAN. Ogilby, Norton & Co. own furnaces and also sell ore.

Mr. HILL. I know a good deal about the ore business, but I am a very busy man, and my information has been, as far as I could, confined to our own property.

Mr. GARDNER. Outside of the ore on your land, do you suppose that 10 per cent of the ore is owned by anybody but the large steel corporations?

Mr. HILL. It would be a mere guess; I do not know. I know that in a general way Corrigan & McKinney own ore, the Harvester people own ore, the Hanna people own ore, the Rodgers, Brown & Co., Pecans, Mather & Co.

Mr. GARDNER. That makes a long list, but it would depend on the amount of their holdings.

Mr. HILL. I think they were all holders of a considerable amount.

Mr. GARDNER. Do you suppose that everybody put together, outside of the large steel corporations—and I should include the Cambria, Maryland, Pennsylvania, and the Republic——

Mr. HILL. The Lackawanna, the Jones & Laughlin.

Mr. GARDNER. I should consider all those well-known and large steel corporations. Don't they, together with the United States Steel Corporation, own 90 per cent of the ore up there?

Mr. REED. Counting the Great Northern holdings as part of ours.

Mr. GARDNER. Counting that 500,000,000 tons?

Mr. HILL. I should divide it this way: There are 1,300,000,000, according to the tax commissioner's report, and I think it is high enough. I should say 300,000,000 were held by the outside owners; 400,000,000 by us; and the four hundred of ours that comes back in 1915, less what they took out in the meantime, would represent that 600,000,000 tons.

Mr. GARDNER. That is the United States Steel Corporation?

Mr. HILL. Yes, sir.

Mr. GARDNER. How much of this 300,000,000 that is left is owned by large steel companies?

Mr. HILL. That I have no means of knowing. The 300,000,000 is owned largely by people who are using it.

Mr. GARDNER. It is owned largely by Cambria and the Republic, is it not?

Mr. HILL. And the Lackawanna.

Mr. GARDNER. And the Lackawanna. How about the Maryland? What is the company at Steelton?

Mr. REED. That is the Pennsylvania.

Mr. GARDNER. What did they have?

Mr. HILL. I do not know what they have.

Mr. REED. Not very much, I think.

Mr. GARDNER. What I was trying to find out was how much of this was owned by what we call the large steel corporations?

Mr. HILL. I have no exact knowledge whatever where you can get the exact knowledge.

Mr. GARDNER. I do not think you can get the exact knowledge.

Mr. HILL. I think you could.

Mr. GARDNER. It depends tremendously on the estimates.

Mr. HILL. When I say exact knowledge, I mean as far as it is known. I think Mr. Joseph Selwood would be a good authority on that subject.

Mr. REED. The tax commission's figures are available. According to that we own 53 per cent.

Mr. GARDNER. You own 53 per cent outside of the Hull-Rust?

Mr. REED. Yes, sir; 53 per cent outside of the Hull-Rust.

Mr. HILL. That is as high as I would put it.

The CHAIRMAN. How much of a per cent are not in the steel business?

Mr. REED. I do not know.

Mr. GARDNER. I assume the Cambria and those companies are all independent. I mean outside of the Steel Corporation and what we have got in the habit of calling here, "independents." Do you know about what per cent are outside of those?

Mr. REED. I do not know those figures.

Mr. HILL. If they own about 53 we should have to claim about 27 or 28. That would make you have about half of the lease and we would have the other half for our customers. We would feel rather comfortable over it.

The CHAIRMAN. Of the 300,000,000 that is left would you say that one-tenth of it is not now owned by people in the steel business?

Mr. HILL. I do not know; I have not the remotest idea who owns it. I know there are people along the range there, and some of them are furnace men; others are steel manufacturers. Those men are dealers; some own furnaces and some produce ore and sell it.

Mr. YOUNG. Mr. Hill, I do not want to tire you, but I want to go back to this question of values, just a minute.

Mr. HILL. I am ready to answer any question I can.

Mr. YOUNG. Yes, sir. As I understand your position, about the value of these ore lands, it is this: That in 1901 there was not any such market for ore lands that any price could be fixed on their values from the sales and transactions of that date.

Mr. HILL. I will give you it as I understand it. At that time or about that time, and immediately before, the Mesabi Range was a comparatively new thing. They did not know how to use the ore. After I bought the Wright & Davis plant they used to say, "If you had some hard ore to go with it." They thought they would have to have from 30 to 50 per cent of hard ore to go with the Mesabi ore. Now they have changed the furnace method until they are making steel, I think, entirely with Mesabi ore.

That has had the effect to advance the price of Mesabi ore beyond anything else, or to a very great extent, and there is reason. Underground mining costs a great deal more to mine the hard ore and go down and timber the mine, and all that sort of thing. It is a great deal more expensive. The Mesabi, unlike any other that we have in the United States, is stripped of the over bearing, and then it is shoveled up as you would sand, with a steam shovel. It is very cheaply mined, where the stripping is not too heavy.

All that brought up the price, or the value, based upon the market price of this ore.

Mr. YOUNG. Then you sought to substitute, as a better guide, the price of the ore in the market?

Mr. HILL. Yes, sir.

Mr. YOUNG. Is not that based upon the proposition that the real value of any property sought to be used in business for profit depends upon the money that can be made out of it in using it?

Mr. HILL. That is as I understand it. I know of no other rule that would be safe.

Mr. YOUNG. And do you not regard that as a sound business proposition?

Mr. HILL. I should not think any other would be.

The CHAIRMAN. You are in a safe position in another way, are you not? You are in a comfortable position, anyhow, whether they buy your ore or not?

Mr. HILL. We feel that way. I am not disturbed over it.

The CHAIRMAN. What is the tonnage in rails consumed by the railroad systems in which you are interested, per annum?

Mr. HILL. Oh, 150,000 tons. Then we buy plates and other bridge material, and so on.

The CHAIRMAN. Then you have steel cars and all that sort of thing?

Mr. HILL. Yes.

The CHAIRMAN. Now, Mr. Hill, it is reported that it costs $17, all costs considered, to make a ton of steel rails.

Mr. YOUNG. Before you go into that, let me finish with what I was on.

The CHAIRMAN. Certainly; I thought you were through.

Mr. YOUNG. I want to clear this up in my own mind.

In determining, then, the value of ore land you would have to consider, would you not, not only the price that ore bore at the time, but look back over a series of years and consider also the condition of the steel industry and the prospects for the future in order to form your judgment?

Mr. HILL. That is right; the probable demand.

Mr. YOUNG. From 1901 to 1907 there was a considerable increase in the volume of steel business in this country, was there not?

Mr. HILL. I am not a good authority on that subject.

Mr. YOUNG. I see that the price of Bessemer-Missabe—and in this table that means first grade——

Mr. HILL. Yes.

Mr. YOUNG. In Lake Erie ports in 1901 it was $3.25; in 1907 it was $4.75, or $1.50 more. Did not that reflect pretty accurately the great increase in the steel business during those years and the increased knowledge of the value of Missabe ores for use in the business?

Mr. HILL. It certainly—that change was made by the increase of knowledge and the intelligent estimate of the uses to which the ore could be put. I know the Eddy people of Michigan——

Mr. YOUNG. Of Saginaw?

Mr. HILL. Of Saginaw, I think Leonard Eddy. They had a couple of boats on the Lake. They had a mine called the "Penobscot." When we bought the Wright & Davis land they shipped their ore over the railway we bought. I think their price delivered at Lake Erie was $2.50 a ton for that Penobscot ore, because it was fine ore—I mean fine physically. I do not know who owns it now. But that ore would be worth, and would be cheap enough at $2.25 on the car at the mine to-day.

Mr. YOUNG. There is one other question I would like to ask you, if you know, and that is whether in 1901 it is not true that there were very few people, even in the iron and steel business, that had any appreciation of the ore situation, and the great value there was in that body of Lake Superior ore; if they were not very late, even men like Mr. Porter, for instance, in waking up?

Mr. HILL. Why, Mr. Porter, at one time, I think he told me before he died, could have acquired the whole range for less than a million dollars.

Mr. YOUNG. That was a half interest there.

Mr. HILL. My impression is he told me he could get the whole range.

Mr. YOUNG. It is true, is it not, that very few people did see that?

Mr. HILL. I know that when I bought the Wright & Davis property I knew nothing about iron ore. My son asked me to go up there. We were largely interested in having bought this bankrupt road that was building up out to Crookston. We were interested in getting tonnage for it. He asked me to come up and look at it. We looked it over. I bought that property largely on what I considered the value of the Mahoning mine. I could see there was no loss in it, if there was no other ore on the property. I took the whole thing. It was largely based on what I could see opened up in the Mahoning and the Stevenson.

For instance, Gates, for the Wire Co., wanted to buy the Stephenson from us. The borings that had been made showed about three and a half to four billion tons, and he wanted to buy it. But I told him we did not want to sell. I suggested to him that we had better take up the Sauntry, and he did. He said to me, "Let's you and me go up there and spend Sunday up on the range." I said, "If you and I go up, we have recently bought the Wright & Davis land, and if we go up there and look around at these properties you will not be able to buy them at all. They will put the price up. My advice would be for you to go and have a talk with Mr. Sauntry; have him come down, and you make a trade with him if you can."

He did, and within 30 days I offered him a million dollars profit, and he would not take it.

Now, to say that what he paid for it was the basis of the value of that property is ridiculous.

Mr. YOUNG. Would you substitute for that the profit that might be expected in the use of it?

Mr. HILL. Having got interested, I began to investigate the iron question and found out what ore there was on Lake Superior, and what I could find everywhere else in the world. Among the first men I sent for was Mr. Selwood. I got from him all the information I could.

The fact that in this country from 1800 to 1900 the consumption of iron had gone from 7 pounds per capita to 685 pounds per capita, according to the United States census figures, showed me that the use of iron was increasing very fast, and that the value must increase.

The CHAIRMAN. Now, to get back to what I was talking about: You are in a position where even if the Cambria, the Pennsylvania, the Republic Iron and Steel, all these other companies that own practically all the ore, except that which you hold on the Mesabi Range, should conclude they did not want to buy any more ore, you are in a position to utilize a vast amount of this ore yourself, are you not?

Mr. HILL. You mean to go into the steel business?

The CHAIRMAN. Yes.

Mr. HILL. I will be a first-class angel with red and white feathers in my wings long before I will be in the steel business. I will be 74

years old next September, and I tell you I have done most of the hard work I intend to do. [Laughter.]

The CHAIRMAN. Let the other fellow do the hard work, and you get the profits.

Mr. HILL. If I had been so very anxious to have made money, I think I would have held onto that ore.

The CHAIRMAN. Mr. Hill, you did at one time consider going into the business, did you not?

Mr. HILL. I did what?

The CHAIRMAN. You considered at one time the advisability of going into the steel business?

Mr. HILL. Oh, no.

The CHAIRMAN. Was it not generally stated in the public prints, and like that, about five, six, or seven years ago, that you thought of going, together with certain persons, into the erection of blast furnaces?

Mr. HILL. I never considered it.

The CHAIRMAN. And rail mills?

Mr. HILL. I do not recall having seen it. I never had any such thought. But there are a good many things that appear in the public prints that need verification. Sometimes the boys write for space. [Laughter.]

Mr. BEALL. You do not mean these boys here?

Mr. HILL. Oh, no; they are accurate reporters.

The CHAIRMAN. Correspondents. [Laughter.]

Mr. HILL. Oh!

The CHAIRMAN. You are still utilizing this old Wright & Davis Railroad?

Mr. HILL. Oh, yes; and we built additional lines along the range.

The CHAIRMAN. But you followed the same direction?

Mr. HILL. Building all the time into different mines.

The CHAIRMAN. At what point does that Wright & Davis Road strike the main line of the Great Northern?

Mr. HILL. At the Swan River.

The CHAIRMAN. How far is it from Superior to Swan River?

Mr. HILL. About 70 miles, I think, speaking roughly. That is an estimate. I do not carry the distances in my head.

The CHAIRMAN. So that you go over the main line of your road to Swan River and then there your trains are diverted onto the Wright & Davis line?

Mr. HILL (making a drawing upon a piece of paper, and handing it to the chairman). There. There is Lake Superior [indicating]. We go out west toward Red River. That is the Wright & Davis; that is the line we built; that is another line we built, and this is the line that connects it [illustrating his remarks by reference to the drawing previously made].

The CHAIRMAN. So that, roughly speaking, about two-thirds of the haul is over the main line, and the other is over these branch lines, between the Mesabi Range and Superior?

Mr. HILL. The branch line mileage is greater than the length of the main line over which the ore travels.

The CHAIRMAN. You do not build any tracks into these ore pits, do you?

Mr. HILL. Not down into pits; we build to the edge.

The CHAIRMAN. The operator of the mine, whoever it is that has the lease, constructs the tracks in the pit, and brings the cars up the

incline, whatever it is, up to the level space, and there assembles the cars?

Mr. HILL. No. He delivers them there, and we assemble at some central point.

The CHAIRMAN. I mean, he assembles such cars as he gets out of the pit.

Mr. HILL. He delivers them at the surface level of the mine.

The CHAIRMAN. Who pays the tax on these mines now?

Mr. HILL. During the lease?

The CHAIRMAN. Yes.

Mr. HILL. The steel company.

The CHAIRMAN. Who paid the taxes prior to that time?

Mr. HILL. The trustees; except anything that is leased. Whatever is leased the lessee pays the taxes.

The CHAIRMAN. You spoke of the State of Minnesota making a fairly accurate estimate.

Mr. HILL. I think they have access to all information, and I think they are energetic and anxious that the State should collect as large a tax as the property will bear.

The CHAIRMAN. They are anxious to know just where this ore is, because the more ore they find the more taxes they get; is that not true?

Mr. HILL. There is more than that. They are very large owners of the fee. The State of Minnesota under the swamp-land grant became the owners of a great deal of this iron ore.

The CHAIRMAN. Do you remember just what tax you paid on this ore?

Mr. HILL. I have not the remotest idea. I think that report shows the taxes.

The CHAIRMAN. Your own report shows the entire assessed valuation?

Mr. HILL. No; I think the report I handed in this morning shows the taxes.

The CHAIRMAN. The entire assessed valuation of the mining property in the State of Minnesota for the year 1906 is $69,851,845, according to Mr. Herbert Knox Smith's report.

Mr. HILL. That is something I have no knowledge about.

The CHAIRMAN. There is a higher tax on a developed mine than on undeveloped mines, is there not?

Mr. HILL. That I do not know.

The CHAIRMAN. If you owned 400,000,000 tons and there are 1,200,000,000 in the range, in round numbers——

Mr. HILL (interposing). Or 13. I think they put it a little over 13.

The CHAIRMAN. You own approximately one-third of the range?

Mr. HILL. Yes; less than one-third.

The CHAIRMAN. Then that would be about $23,000,000 that your properties would be valued at for the purpose of taxation?

Mr. HILL. I do not know.

The CHAIRMAN. Can you account for that valuation for the purpose of taxation? Can you reconcile that with the valuation placed on these ores in that lease?

Mr. HILL. That is a subject I have never thought of, and I do not know anything about it.

Mr. YOUNG. If you will permit me right there, I have this table before me. I see the very next year they raised that assessed value

to $186,720,026, and for 1911 they have assessed it at $232,455,603. They state from this report that is about 40 per cent of what they regard its real value.

Mr. LINDSAY. That is the average value of farm land assessments, 25 to 40 per cent, and this is supposed to be the same.

The CHAIRMAN. Do you mean to say they assess land of this immense value like they would ordinary farm land?

Mr. LINDSAY. They try to put it on the same basis of per cent of value.

Mr. CARROLL. It is merely the per cent of value, a little over a third of its value. If farm lands were worth $300 an acre, they would be assessed for about a third of that and the other would be assessed in the same proportion.

The CHAIRMAN. The valuation of this ore would be $600,000,000 for that $1,300,000,000.

Mr. HILL. Or $1,200,000,000, because some has been mined out since.

The CHAIRMAN. That would be 50 cents a ton, if you owned it all?

Mr. HILL. Yes.

The CHAIRMAN. How did you manage to lease for 85 cents a ton properties the fee of which is worth 50 cents?

Mr. HILL. That was the simplest thing in the world. I did not have the slightest difficulty. I told them that was the price they could have it at, and it was a loss of their time and a waste of mine to ask for any other figure, that when they were ready to pay that figure they could close the lease, but until they were they need not spend any time on it.

The CHAIRMAN. If that had not been the only remaining tract, the only remaining large ore body in that region, easy of reach by railroad facilities, do you believe they would ever have leased it?

Mr. HILL. I do not know. There is another range, called the Caguna, they have been exploring for some time, and a great deal is claimed for it.

The CHAIRMAN. Speaking of the Caguna Range, they have a road running out to Caguna, the Soo Line.

Mr. HILL. The Northern Pacific runs right through it.

The CHAIRMAN. That gives those people an outlet. They are not dependent upon either the Duluth, Missabe & Northern or the Duluth & Iron Range, or the Great Northern. None of them touch it.

Mr. HILL. The Great Northern has no rails into Caguna, and is not likely to build any.

The CHAIRMAN. Did not the freight rate on this road force your people to reduce your rates?

Mr. HILL. No, sir.

The CHAIRMAN. I have heard that charged.

Mr. HILL. No; it had nothing to do with it.

The CHAIRMAN. Nothing in the world?

Mr. HILL. No; it was a different proposition. The distance is shorter to the lake from the Caguna, and it is mainly on account of the fact that line has other business, and it has not to be thrown away when the iron is exhausted. Our mileage is mainly built in over that boggy country for the purpose of carrying ore, and nothing else.

The CHAIRMAN. That is your branch roads?

Mr. HILL. They are branches, but they are a great deal longer than the proportion of main line that is used in transporting. I don't know whether the State will insist after the ore is mined out on our operating that railroad when there is nothing to do.

The CHAIRMAN. I asked you awhile ago, Mr. Hill, about this Northern Pacific Railroad. I notice here that the executive committee of this Northern Pacific—they are the people who do the work, are they not? That is the impression, that the executive committee are the people that have the active management.

Mr. HILL. The board of directors have the management, and the executive committee is a smaller number, to whom certain special business is referred, as a usual thing.

The CHAIRMAN. I notice on this committee George F. Baker, who was one of the executive committee, on the board of directors. Do you know whether he is associated in any way with Mr. Morgan?

Mr. HILL. I do not know.

Mr. Baker is chairman of the First National Bank in New York, I remember, an old and very important bank.

The CHAIRMAN. I notice here Mr. James N. Hill is on the executive committee?

Mr. HILL. He is vice president of the Northern Pacific.

The CHAIRMAN. That is your son?

Mr. HILL. Yes, sir.

The CHAIRMAN. Mr. Louis Cass Ledyard, is one of the directors.

Mr. HILL. Yes; I know him.

The CHAIRMAN. Is he attorney for Mr. Morgan?

Mr. HILL. I do not know.

Mr. REED. He testified he was not.

Mr. HILL. I do not know how I would know who Mr. Morgan's attorney was.

The CHAIRMAN. We are all interested in these great men, you know. And Mr. Charles Steel?

Mr. HILL. I know Mr. Charles Steel.

The CHAIRMAN. Is he associated in any way with the United States Steel Corporation?

Mr. HILL. I think he is a member of the board of directors.

The CHAIRMAN. I notice on the directorate, in addition to Mr. James N. Hill and Mr. Ledyard, Mr. George W. Perkins, and Mr. J. Pierpont Morgan, jr. He is a son of Mr. J. Pierpont Morgan?

Mr. HILL. They are directors of the steel company and the Northern Pacific.

The CHAIRMAN. Not the Northern Pacific.

Mr. REED. Is that the Northern Pacific or the Great Northern?

The CHAIRMAN. That is the Northern Pacific, to which I called his attention.

Mr. HILL. Their holdings are not very large. I should say $20,000,000.

The CHAIRMAN. That would look like a pretty smart sum to a little fellow like me.

Mr. HILL. Well, those things are relative.

The CHAIRMAN. I understand. I have not even yet become used to talking about $20,000,000 or 20,000,000 tons of ore like it was a postage stamp. I believe if I continued this investigation much longer I would.

Well, we are very grateful to you, Mr. Hill, and you are excused unless others of the committee care to ask further questions.

Mr. HILL. I am very much obliged to the committee. I would like to have been able to answer every question that was asked me. There were some of them I would like very much to have answered if I could, but as this is sworn testimony I do not like to be quoted on irrelevant opinions, or opinions that have no foundation that would be satisfactory to me.

Mr. BEALL. Mr. Hill, would you be willing to express an opinion upon a matter that affects the country, and one in which the country is very much interested, although it may not relate directly to this particular investigation. You have been engaged in business in this country many years?

Mr. HILL. Yes.

Mr. BEALL. You have helped to develop it?

Mr. HILL. I have tried to.

Mr. BEALL. You have seen wonderful changes occur?

Mr. HILL. I have.

Mr. BEALL. Not only in the railroad world, but in the business world generally?

Mr. HILL. I have.

Mr. BEALL. Mr. Carnegie and Mr. Gary and others, who have been before this committee, have expressed an opinion on the subject that aroused a very great deal of interest throughout the country. They have expressed the opinion that the age of competition in the business world is a thing of the past; that the old law of competition governing trade no longer prevails, and that the time is not far distant, if it has not already come, when some agency of the Government must be instituted for the purpose of fixing, say, a mimimum or maximum price for the products of these great industrial concerns.

I do not know any one opinion that the country would value more highly upon that question than yours, if you would care to express an opinion.

Mr. HILL. It would only be my opinion.

Mr. BEALL. Of course, what they said was their opinion.

Mr. HILL. I think you would have to change human nature. I think you would have to eliminate the selfish motive that moves not only human beings but every other form of life. I think there will be competition in the world as long as the law of the survival of the fittest exists. It will be exact, active, and operating as it is long after our statute laws are wiped off the books.

Mr. BEALL. You do not think that the time is anything like close at hand when it will be necessary to create or invoke the authority of the Federal Government to control the prices of all the commodities of this country?

Mr. HILL. I think when the Federal Government would undertake to do that it would be a very short step until we would have no Federal Government.

Mr. BEALL. I thoroughly agree with you.

Mr. HILL. I would like to live under the old Government and the old flag.

Mr. BEALL. It would not be very much like an old-fashioned Republican Government.

Mr. HILL. No; it would be a mob.

The CHAIRMAN. That last statement you have made is very wholesome and very encouraging, coming from a great financier. Now, Mr. Hill, what would you think of this sort of a situation: Suppose you great financiers should combine and agree among yourselves to eliminate all competition, to operate your great businesses in your own interests, without any one of you ever doing anything to hurt the other, dividing according to the golden rule and a new-found brotherly love, equitably, all that you could get from this organized mob you may call society; and in addition to that if you would further agree that you would use this organization, by an agreement among yourselves and by this power, to prevent a like agreement among your employees; you would force them to compete, crush anything in the nature of a labor organization, never deal with them collectively, and with labor scattered and dismembered, each individual doing for himself on the one hand, and with society organized on the other—how long do you think this Government would last under that sort of condition?

Mr. HILL. Oh, it might last a week. [Laughter.]

Mr. REED. Nobody, Mr. Hill, thinks that condition would ever exist.

Mr. BARTLETT. As I understand you, you do not believe it was ever intended, under this form of government under which we have lived and have prospered, that the United States Government should undertake to regulate business by fixing prices or directing the conduct of a business.

Mr. HILL. I would lay down the law as to right and wrong; I would limit powers; I would see that every corporation that started business puts its money up, and I would not be jealous of them on account of the size.

There is a very large concern in Germany, Krupp, in the steel business. I think from the Emperor down the people are very proud of it.

Now, I would not have any watered stock; I would let them make their corporation as big as they liked to, but I would see that 100 cents on every dollar was put up, and if they put up the money they will take care of it.

Mr. BARTLETT. And that they should not combine, whether it be a railroad or a business corporation, for the purpose of defeating competition or increasing prices?

Mr. HILL. Not a bit; I would not allow it.

Mr. BARTLETT. You tried once, in the railroad business, did you not?

Mr. HILL. You mean the Northern Securities Co.?

Mr. BARTLETT. Yes.

Mr. HILL. Well, I was in a very tight place.

Mr. BARTLETT. The court got you out of the tight place?

Mr. HILL. I was entirely ready to get out. The court accepted our solution by a very unanimous decision.

Mr. BARTLETT. It was a kind of a split decision.

Mr. HILL. It came very quickly.

Mr. BARTLETT. Four to five, I believe.

Mr. HILL. I had to raise in three months about $90,000,000. If I did not those properties would have been welded in with the Northern and Southern Pacific, and a bigger combination than ever was made in the country would have been the result. It was more money than I had.

Mr. BARTLETT. The combination was not permitted to exist?

Mr. HILL. I stopped it by getting the old Great Northern stockholders to join with me. In doing that I had to make something that interested them. They had been prosperous in following me before, and they followed there. We paid in $75,000,000 of Northern Pacific preferred stock in the organization. There was the right to the common stockholders to pay it off at par. We paid it off. The Union Pacific people who bought it expected to hold a majority. They had in common and preferred a majority. When we paid off their preferred they had a small minority.

Mr. BARTLETT. You did not agree with the proposition that was up here——

Mr. HILL (interposing). It was either do that or hand over the property to the other fellow.

Mr. BARTLETT. The court did not let you do that, and you still have a prosperous business, a railroad, and everything of that sort?

Mr. HILL. I am not making any complaint.

Mr. YOUNG. You spoke of your faith in competition as an active principle in the business life to-day.

Mr. HILL. Yes. Whether we have faith in it or not, I am a good deal like the man said his wife was. When she died the minister came and asked if she was resigned, and the old man said she had to be. So I feel I have to be. [Laughter.]

Mr. YOUNG. Do you believe that this principle of competition is capable of dealing successfully with the enormous combinations of capital that we have in this country, which I think are largely necessary to carry on our business?

Mr. HILL. I do not think we get poor on account of having more money.

Mr. YOUNG. No. But do you think that the principle is capable of preventing those combinations from an oppression of the people who have to depend on them, even for the necessaries of life? Do you think we can safely rely on them?

Mr. HILL. When I gave the opinion I based it on this: That I do not think it is within the power of man to eliminate competition.

Mr. YOUNG. Do you think that competition can deal with that situation successfully?

Mr. HILL. No matter whether it can or not, it has got to. If you had two boys and you started them both equally, do you think there would not be competition, if they were both in the same business? Even if they were twin brothers before they got through there would be competition between them.

Mr. YOUNG. Is not the end of competition the survival of the fittest, and will not the one survive who can perform the service the best, or for the least money?

Mr. HILL. When we are translated and cease to be material people, we may get on without competition. Until that time I think we will have to be satisfied to keep our feet on earth and go as our forebears did, back to Adam and Eve.

Mr. YOUNG. You think there is no future, then, in any line of business, in any one concern surviving competition and establishing a monopoly of that entire business? You think we can trust competition to deal with the situation successfully?

Mr. HILL. I do not know of any overgrown establishment that has been successful. The Standard Oil Co. came the nearest to it. We are not permanently successful.

Mr. YOUNG. It seems to be pretty successful now.

Mr. HILL. They are relieved from responsibility now.

Mr. YOUNG. They can put the price up now.

Mr. REED. The Sherman Act permitted them to do that.

Mr. HILL. It is since the decision they have put up the price of oil.

The CHAIRMAN. The committee will stand adjourned until to-morrow morning at 10.30 o'clock.

Thereupon, at 5.40 o'clock p. m., the committee adjourned until to-morrow, Wednesday, February 14, 1912, at 10.30 o'clock a. m.

ADDENDA.

This agreement, made and entered into by and between the United States Steel Corporation, a corporation of the State of New Jersey, party of the first part, and the West Missabe Land Co. (Ltd.); Wright Land Co. (Ltd.), Davis Land Co. (Ltd.), Wells Land Co. (Ltd.), Stone Land Co. (Ltd.), partnership associations organized under the laws of the State of Michigan, and the Wabigan Iron Co., Minosin Iron Co., Nibiwa Iron Co., Wenona Iron Co., Minawa Iron Co., Leonard Iron Mining Co., Arthur Iron Mining Co., Fillmore Iron Mining Co., Harrison Iron Mining Co., Jackson Iron Mining Co., Polk Iron Mining Co., Tyler Iron Mining Co., and Van Buren Iron Mining Co., corporations organized under the laws of the State of Minnesota, parties of the second part, witnesseth:

Whereas the said parties of the second part have agreed to lease to the Great Western Mining Co., a corporation of Minnesota, certain lands, mineral rights, and leasehold estates, for the purpose of mining and removing iron ore thereon, as more particularly appears from an indenture of lease dated the 2d day of January, 1907, proposed to be made and executed by and between the parties of the second part hereto, and the Great Western Mining Co., and Lewis W. Hill, James N. Hill, Walter J. Hill, and Edward T. Nichols, as trustees; and,

Whereas it was agreed that said lease was to be executed upon condition that the party of the first part hereto, the United States Steel Corporation, should guarantee the performance of each and every of the terms and conditions therein stipulated to be performed by the Great Western Mining Co.;

Now, therefore, in consideration of the sum of $1 in hand paid, by the parties of the second part to the party of the first part, and in consideration of the execution of said indenture or mining lease, by the parties of the second part to said Great Western Mining Co., the party of the first part hereby guarantees that said Great Western Mining Co., its successors and assigns, shall well and truly keep and perform each and every of the terms and conditions of said mining lease to be by it performed.

In witness whereof, the party of the first part, the United States Steel Corporation, has caused these presents to be executed in duplicate in Hoboken, in the State of New Jersey, by its president and secretary, and the seal of said corporation to be affixed thereto, this —— day of ———, A. D. 190–.

UNITED STATES STEEL CORPORATION,
By ——— ———, *President.*

Attest:

———— ———, *Secretary.*

ARTICLE 3.

[P. 13.]

It is understood that a part of the iron ore in or under said demised lands is mixed and intermingled with silica, sand, and other foreign and worthless substances, and is so deposited in layers or strata as to require and render necessary, when and as mined, and before shipment, the washing and screening of said ore, or treatment by such other proper process as may be provided for the purpose in order to separate and remove such silica, sand, and other waste or useless material, and secure an ore product which

shall be merchantable and of proper composition for successful and economical use in blast furnaces. Said washing or screening or other treatment involves a considerable additional mining cost, and a necessary waste in said mining operations, which can not be prevented, but said washing or screening or other treatment can be done to the best advantage and most economically before shipment, upon the demised premises or in the vicinity thereof.

In view whereof, the lessors hereby covenant and agree to and with the lessee that all the iron ore mined hereunder from said demised premises which it finds or deems necessary to wash or screen or otherwise treat may be washed or screened or otherwise treated by the lessee, but at its sole cost and expense, for the purpose of removing the silica, sand, and other foreign substances and waste or other useless material; that the ore product or concentrate resulting therefrom which shall be merchantable and of proper composition and character for successful and economical furnace use shall be deemed to be and actually shipped as merchantable iron ore under this lease, and for which royalty at the rate provided in this lease shall be payable and paid; that the lessee may so wash or screen or otherwise treat such ore, so mined as aforesaid, on said demised lands, or elsewhere in the vicinity, wherever water is available and exists in sufficient quantities for the purpose; and that the tailings or material eliminated by said washing or screening or both, or other treatment, whatever may be their or its nature or contents, shall be treated as and deemed to be waste, and may be deposited by the lessee on said demised premises, or elsewhere, at such places and in such manner as will not conflict with or embarrass the future operations of said mine or mines.

The lessee covenants and agrees to conduct said washing or screening or other treatment of said ore in a reasonable, careful, and good workmanlike manner, and in accordance with the requirements of good engineering, and so as not to do or cause or permit any unnecessary or unusual waste of the iron ore taken from said premises, or any further waste thereof than is necessary and required in and by such washing or screening or other treatment in order to make an ore product or concentrate which shall be merchantable and of proper composition and character for successful and economical furnace use; it being understood that said washing or screening or other treatment shall be so conducted by the lessee as to separate and save such of the fine as well as the coarse ore as it finds can reasonably, successfully, and economically be done in and by the use of suitable and proper machinery and appliances, and still be of proper composition and character for successful and economical use in blast furnaces.

It is covenanted and agreed between the parties hereto that ore removed from the demised premises to any other lands, for the purpose of washing or screening or otherwise treating the same, shall not be deemed to be mined and shipped from the demised premises so as to cause the royalty herein provided for to accrue thereon until such washed or screened or otherwise treated ore shall be actually shipped and weighed by the railroad company transporting the same.

All ores mined and shipped from the lands covered by each of said underlying leases controlled by the Arthur Co. and by the Van Buren Co., and all ores mined and shipped from the lands owned by the Wabigon Iron Co., Nibiwa Iron Co., Minosin Iron Co., Minawa Iron Co., and Wenona Iron Co. (hereinafter for convenience called the "Indian Cos."), as well as those mined and shipped from the so-called Walker lands, and from any other lands only an undivided part of or interest in which is leased hereby, shall not be mined, mixed, or intermingled with the ores from any other lands demised hereby, or with any other ores whatever, until after proper analysis, treatment and shipment and weighing by the railroad company transporting the same; provided, however, that the foregoing shall not prohibit the intermingling of any ores mined and shipped from the Indian Cos. one with another. With such exceptions, no separation need be made of the ores from the demised lands of the lessors, and the same may be mined, mixed, or intermingled with each other at any time and before either analysis, treatment, or shipment.

All ores mined from the leased premises shall, before shipment thereof, be sampled and analyzed for the purpose of ascertaining the iron contents thereof, as follows:

Iron ore which shall not be concentrated as provided in this article, and iron ore which has been concentrated, shall, when placed in cars for shipment by the lessee, be carefully sampled in such manner as to show the true average character of each carload; and such samples from not more than 10 carloads shall, as soon as practicable thereafter, be assembled for analysis, dried at 212° F., and thereafter analyzed by practical, competent, and experienced chemists, and the actual percentage of metallic iron contained therein shall be determined.

Such sampling and analyzing shall be done by competent persons employed and paid by the lessee.

The lessee shall divide the pulp of all samples of ore removed and analyzed as aforesaid into three parts, one part for the trustees, one part for the lessee, and one part

shall be securely sealed and retained by the lessee, to be used for arbitration in case of disagreement in regard to the assay results. The portion of the pulp to be delivered to the trustees shall be delivered upon the ground to such person or persons as the trustees shall in writing from time to time designate.

So far as it may be deemed necessary or practicable, in a general way the ore from the leased premises to be concentrated, as provided in this article, shall from time to time be analyzed, before concentration; and the waste or tailings of ore which shall be concentrated shall also be analyzed from time to time.

The lessee shall and will furnish the trustees each day (or as soon thereafter as the same can reasonably be completed) with a certificate signed by the person or firm making the analysis of all of said samples of ore showing the result of each analysis made of the preceding day's samples of iron ore; and the lessee shall also furnish on the 20th of April, July, October, and January in each year certificates or statements showing separately the general average of all analyses made (1) of all such ores shipped from any mine or place of concentration to dock or to place of consumption, (2) of all such ores removed from any mine to the place of concentration, and (3) of all tailings made during the preceding three months.

The general average of all ores of each owner required to be kept separate, as defined by this article, shipped to dock for each quarter shall be taken as the basis for computing the royalty to be paid for such ores, as hereinafter provided.

The statement of analyses, to be furnished the trustees, shall be rendered in such a manner that the trustees can compute the average analysis of the ores of each of the owners, lessors hereunder.

Any dispute or disagreement between the trustees and the lessee in respect of the sufficiency of any sampling or analyzing done hereunder, or in respect of the analyses furnished by the lessee, or in respect of the character or qualifications of the lessee's samplers or chemists shall be submitted to and determined by arbitration in the manner hereinafter provided for general arbitration: *Provided, however*, That any objection to the sufficiency of the sampling or analyzing done hereunder, or in respect to the analyses furnished by the lessee, or the character or qualifications of the samplers or chemists shall be made in writing within 60 days after the sampling and analyses have been made, and, if no such objection is made, the same shall be conclusive between the parties hereto; and in no event shall pulp samples be preserved for more than one year after the same are taken.

Any errors in the sampling, analyzing, or averaging of said ores, or in any respect thereof, shall, when ascertained, be cognizable, and shall thereupon be adjusted by the parties in accordance with the true facts and so as to protect and preserve the rights of each party as contemplated by the provisions of this lease.

Article IV.

The lessee shall proceed, immediately upon the execution of this lease, to make explorations, in accordance with the provisions of article 2 hereof, and to open and operate mines in the lands demised hereby, and shall ship from such mines, and from such as are already opened in the leased lands, iron ore to such an amount that the aggregate of shipments in each year from the leased lands shall not be less than the following quantities:

750,000 tons in the year 1907, 1,500,000 tons in the year 1908, 2,250,000 tons in the year 1909, 3,000,000 tons in the year 1910, 3,750,000 tons in the year 1911, 4,500,000 tons in the year 1912, 5,250,000 tons in the year 1913, 6,000,000 tons in the year 1914, 6,750,000 tons in the year 1915, 7,500,000 tons in the year 1916, 8,250,000 tons in the year 1917 and in each year thereafter. Provided, however, that if the lessee fails to mine and ship the required minimum quantity in any year it shall, nevertheless, make payment for the deficiency and receive credit for any payment for which ore has not been shipped. Any such payment shall be made at the price, less the current rate of freight and dockage per ton for the transportation of said ore from the mines to docks for the year in which such payment is made, hereinafter provided for ore which shall average 59 per cent metallic iron for the year in which such payment is made. For any such payment the lessee shall have credit in any subsequent year when more than the minimum for such subsequent year shall be mined and shipped at the prices, less 80 cents per ton, hereinafter provided for the year in which such payment is made for the grade or grades of ore so shipped and upon which such payment is applied.

If it is found impossible economically to produce 750,000 tons during the year 1907 by reason of the mines not being sufficiently developed, the lessee shall be relieved of that portion of the minimum represented by the deficiency, which shall be added to the aggregate minimum to be the prices in the years 1908 to 1916, inclusive, and

the prices for such deficiency shall be those hereinafter provided for the year or years in which the same shall be shipped.

The word "ton," wherever used herein, is understood to mean the long ton of 2,240 pounds avoirdupois.

Where ore shall be weighed by the railroad company transporting the same and the trustees and the lessees shall each have the right to be represented at all such weighings, the lessors shall cause the said railroad companies transporting the same to furnish the lessee the weights of all ores transported over its lines in the usual and customary manner in which it furnishes its statements of weights to ore shippers over its lines; and the said railroad company shall make certificate thereto, giving the number and weight of each car, in order that the lessee may determine the weights of each grade of ore shipped by it. The said certificate or statement, in writing, of the agent of the railroad company transporting said ore shall be accepted as prima facie evidence of the correct weight and that the railroad company has received said ore for transportation, and shall be prima facie evidence in any suit at law or in equity in any controversy between the parties hereto before any court, reference, or arbitration.

Article V.

All ore mined by the lessee from the demised lands shall be loaded and delivered on cars which the lessors shall and will cause the Great Northern Railway Co. to furnish, upon reasonable notice, and at a convenient place at or near each mine; and the said lessors shall and will cause a railway company to haul such ore to the docks to be furnished, kept in repair, and operated by or for said Great Northern Railway Co., at Superior, in the State of Wisconsin, and will there assort the same as directed by the lessee and deliver the same to the vessels to be furnished by the lessee; or, the said railway company will, whenever so directed by the lessee, deliver such ore at said Superior to any railway company furnishing cars to carry the same.

The lessors or the trustees shall pay the railway company all its charges for such transportation services, docking, assorting, and delivering the ore to steamships at Superior, or to connecting railways at Superior, as the lessee shall elect, and shall protect the lessee from any and all charges or liability therefor, it being the agreement of the parties that the total royalty hereinafter provided for includes all charges for such transportation, assorting, docking, and delivering the ore as herein agreed.

The lessee will provide at all times during the season of navigation, at such docks sufficient vessels ready to receive all ore so carried thereto by said railway company upon the arrival of such ore thereat, or within reasonable time thereafter, and in no case shall the lessee be entitled to have more than 250,000 tons stored on said docks or in the cars of said railway company for more than five days at any time.

Whenever the lessee proposes to open and operate any mine or mines on any of the said demised lands, the lessors shall, after being notified in writing, cause the Great Northern Railway Co., at the expense of the lessors or said railway company, to promptly construct all necessary tracks proper and convenient for delivering said cars to the said lessee to be loaded by it at such mine or mines, and receiving from the lessee such cars when loaded; and to change the location, or move the said tracks, from time to time, if necessary, and when necessary to mine the ore in any of said parcels of lands to remove any track which may hereafter be constructed by the Great Northern Railway Co. over said ore bodies; and to furnish adequate equipments and facilities for receiving, transporting, and docking all the ores to be mined by the lessee, subject to the limitations above stated in this article. But the lessors shall not be required to construct tracks into any open-pit mine.

If such tracks, equipment, or facilities are not furnished promptly, and the lessors are in default after reasonable notice, in writing, to the trustees, then the lessee shall have the right to furnish the same, or cause the same to be furnished in its interest, for such transportation, and shall be relieved while the default continues, to the extent of the ore from the particular mine or mines, from delivering the same to the Great Northern Railway Co. for transportation, and the royalty on the ore not transported by the Great Northern Railway Co. shall be reduced 80 cents per ton: *Provided, however*, That the lessee shall have the right to require the construction of any railway tracks to be done during the months of January, February, March, or April; nor shall the lessors be required to furnish, or cause to be furnished, tracks or facilities in any year for transporting or delivering a greater tonnage than the minimum herein fixed for such year, except upon reasonable notice in writing first given by the lessee to the trustees.

It is further agreed that where it shall be more convenient for the lessee to ship any ore, mined on leased premises, over any other railroad than that of the Great Northern Railway Co., the lessee may make such shipment in any year upon condition that the

lessee will, and it agrees that it will, replace such diverted tonnage with an equal amount of ore from mines not leased hereunder, during the same year and as near concurrently with such diversions as can be done in ordinary mining operations; and the lessee may also use, to replace such diverted tonnage, one-half of the ore mined on the lands known as the "Walker land," described in this lease, an undivided one-half of which said Walker lands is owned by the ——— ——— Co., one of the lessors hereunder; and the other undivided one-half thereof being owned by the Lorain Iron Mining Co., it being the intention of this agreement that, so far as the lessors are concerned, the lessee or the said Lorain Iron Mining Co. shall and may transport one-half of all the ores mined on said Walker lands over any line of railroad it shall select.

ARTICLE VI.

For each ton of ore mined, transported, assorted, docked, and delivered at Superior, as provided in Article V hereof, during the year 1907, from any of the parcels demised by this lease, the lessee shall pay to the trustees, as royalty and full payment, the price set down in the following schedule, according to the percentage or fraction thereof of metallic iron in such ore, as determined by the analysis as hereinbefore provided in Article III hereof—that is to say:

	Per ton.
47 per cent iron	$1.1680
50 per cent iron	1.2162
51 per cent iron	1.2644
52 per cent iron	1.3126
53 per cent iron	1.3608
54 per cent iron	1.4090
55 per cent iron	1.4572
56 per cent iron	1.5054
57 per cent iron	1.5536
58 per cent iron	1.6018
59 per cent iron	1.6500
60 per cent iron	1.6982
61 per cent iron	1.7464
62 per cent iron	1.7946
63 per cent iron	1.8428
64 per cent iron	1.8910
65 per cent iron	1.9392
66 per cent iron	1.9874

In determining the foregoing price, fractional percentages of metallic iron shall be included and adjusted on the basis of the common increment of 4.82 cents between the foregoing percentages or units of metallic iron.

The prices of ore mined, transported, assorted, docked, and delivered in the year 1908 shall be 3.4 cents per ton added to each of the prices of the last preceding year.

All payments herein required to be made by the lessee to the lessors shall be made to the trustees at St. Paul, Minn., who are hereby irrevocably designated as the agent of each and all of the said lessors, parties of the first part hereto, and authorized to receive all such payments and sign and deliver vouchers therefor; and the lessee is not and shall not be required to see that the moneys so paid are received by the lessors, but may depend upon the receipts and vouchers signed by the trustees or in their names by any one or more of them as fully as if signed by the lessors.

Said payments shall be made on the 20th days of April, July, October, and January of each year for all ore delivered to the lessee at Superior, as hereinbefore provided, during the preceding three calendar months; and any payment by way of minimum for ore not mined and shipped shall be made on the 20th day of January in each year.

Should the lessee desire to mine and ship ore running less than 49 per cent in iron, it may do so by paying therefor $1.10 a ton, delivered at Superior, as provided by this article; and such shipment shall apply on the agreed yearly minimum: *Provided, however,* That as to the ores mined and shipped from any lands covered by any of the said underlying leases, if the rate of royalty thereof shall be greater than 30 cents per ton, said $1.10 per ton shall be increased as to such ores by the amount of such excess over 30 cents.

Except where ores of different grades are so located in the ground as to render intermingling thereof necessary in mining, ores grading less than 49 per cent in metallic iron shall not be mingled with ores grading 49 per cent or over in metallic iron so as to reduce the grade of the latter; nor shall ores of any grade equal to or in excess of 49 per cent in metallic iron be mingled with any ores of a lower grade so as to reduce the grade of the former; so far as practicable in mining, said grades of ores of 49 per

cent and over in metallic iron and of ores of less than 49 per cent in metallic iron shall be kept separate until after the proper analysis, treatment, shipment, and weighing by the railroad transporting the same.

As to the so-called Walker lands, described in subdivision ——— ——— of this lease, it is expressly agreed that the provisions of this lease shall only apply to the undivided one-half of the ore in the said Walker lands, and the royalties on said ore mined from said lands are to be paid on only one-half of the ore mined from said land, and that only one-half of said ore is to be delivered to the Great Northern Railway Co. for transportation. As to every other interest in lands less than the whole leased hereby, royalties hereunder on ores mined therefrom shall be paid and deliveries of such ores to the Great Northern Railway Co. shall be made in the ratio which each such interest bears to the whole.

Article VII.

The parties hereto realize that the merchantable ore bodies containing 49 per cent or over of metallic iron, as well as the nonmerchantable ore bodies containing said percentage of iron, which can be advantageously made merchantable in the manner provided in Article III hereof, now existing in some of the parcels of land hereby demised and covered by the underlying leases, may be exhausted long before the expiration of the term of this lease as to such parcel or parcels, and that it is to the interest of both parties to eliminate from this lease any parcel of land upon which said merchantable ore bodies may be so exhausted as soon as such ore bodies are exhausted, to the end that the lessor holding said underlying leases may surrender the same, and thereby terminate any ground rent or annual minimum royalties reserved in such lease or leases.

Therefore, if the parties hereto can not agree when the merchantable ore bodies containing 49 per cent or over in units of metallic iron, as well as the nonmerchantable ore bodies containing said percentage of iron ore, which can advantageously be made merchantable, as provided in Article III hereof, has been exhausted in any parcel or parcels, the same shall be arbitrated, before competent mining engineers, in the manner provided for the arbitration of other questions herein; and their report, when made and filed, shall be final and conclusive between the parties hereto. If the said report shows that the said merchantable ore body has been practically exhausted in any such parcel or parcels of land, the lessee shall duly execute, acknowledge, and deliver to the lessor a good and sufficient release from this lease of such premises so declared to be exhausted as aforesaid, and thereupon the lessee shall be released from all liability hereunder as to the premises so surrendered: *Provided*, That upon such surrender it shall duly pay all royalty for ore mined on said premises, taxes, and assessments theretofore accrued or assessed, or that may thereafter accrue on account of ore theretofore removed, or for annual minimum royalties, or other payments theretofore accruing under this lease, and which the lessee is bound by the terms of this lease to pay, and: *Provided further*, That if the lessee shall elect to mine and remove any ore less than 49 per cent under the terms of this lease, it shall not be compelled to surrender said property until all the ore which it shall so elect to mine and remove shall have been removed from said premises.

If at any time the lessee shall claim the merchantable ore bodies which it is obligated to mine and remove under this lease have been practically exhausted in any parcel of land not covered by said underlying leases, it shall have the option to release the said premises from the terms of this lease upon serving a written notice upon the trustees stating that the ore body which it is obligated under the terms of this lease to remove has been practically exhausted. If the parties can not thereupon agree as to whether said bodies have been so exhausted, the same shall be arbitrated in the same manner as provided for arbitration as to the exhaustion of the ore bodies contained in the premises covered by said underlying leases, and the lessee shall release the said premises in the manner as hereinbefore provided.

Save as aforesaid, the lessee shall not have power to terminate this lease as to any one or more parcels hereby demised, except by the surrender of the entire lease as hereinafter provided.

Article VIII.

As to the lands hereby held under said underlying leases, some of them being for short, unexpired terms, it is essential, and the lessee so agrees, that it will so operate the mine or mines upon each of the parcels of land held under said underlying leases that the bodies of merchantable ores therein or thereon, as defined by this lease, will be substantially exhausted during the term for which each of said parcels is so respectively demised; and, if the lessee fails to so exhaust the said mines within said time,

it shall as liquidated damages pay the lessor for all merchantable iron ore, as defined by this lease, remaining in said parcel at one-half the rates of royalty provided for in this contract for the year in which the lease of such parcel shall expire. The quantity and quality of such ores remaining in any such mine shall be determined in the manner and by the usual methods for the time being employed upon the Mesabi Range in Minnesota; and, if the parties hereto are unable to agree in respect to such quantity or quality, the matter in dispute shall be submitted to arbitrament and be determined in the manner hereinafter provided for general arbitration.

Trustees Great Northern iron ore properties receipts and disbursements for the year 1911.

RECEIPTS.

Dividends on stock:	
Allouez Bay Dock Co	$1,000,000.00
Duluth Superior & Western Terminal Co	100,000.00
Jackson Iron Mining Co	230,000.90
Polk Iron Mining Co	130,000.00
Tyler Iron Mining Co	30,000.00
Leonard Iron Mining Co	305,000.00
North Star Iron Co	270,434.00
West Missabe Land Co. (Ltd.)	300,000.00
Total dividends	2,365,434.00
Interest	11,993.45
Exchange	12.50
Total receipts	2,377,439.95

DISBURSEMENTS.

Administration of the trust:	
Salaries	59,511.34
Expenses	28,686.49
Total	88,197.83
Distributions to holders of certificates of beneficial interest: No. 7, of Mar. 15, 1911, of 50 cents per share	750,000.00
Total disbursements	838,197.83
Excess of receipts over disbursements for the year	1,539,242.12
Balance of undistributed income, Dec. 31, 1910	32,830.94
Balance of undistributed income, Dec. 31, 1911	1,572,073.06

Trustees Great Northern iron ore properties receipts and disbursements from Dec. 7, 1906, to Dec. 31, 1911.

RECEIPTS.

Dividends on stocks:	
Allouez Bay Dock Co	$5,160,000.00
Duluth Superior & Western Terminal Co	580,000.00
Jackson Iron Mining Co	340,000.00
Polk Iron Mining Co	390,000.00
Tyler Iron Mining Co	30,000.00
Leonard Iron Mining Co	587,500.00
North Star Iron Co	270,434.00
West Missabe Land Co. (Ltd.)	2,067,500.00
Total dividends	9,425,434.00
Interest	20,929.61
Exchange	12.50
Total receipts	9,446,376.1[illegible]

DISBURSEMENTS.

Administration of the trust:	
Salaries	$310,012.15
Expenses	64,290.90
Total	374,303.05

Distribution to holders of certificates of beneficial interest.

	Date paid.	Amount per share.	Amount.
No. 1	Sept. 16, 1907	$1.00	$1,500,000.00
No. 2	Mar. 16, 1908	1.00	1,500,000.00
No. 3	Sept. 15, 1909	1.00	1,500,000.00
No. 4	Mar. 15, 1910	.50	750,000.00
No. 5	Sept. 15, 1910	.50	750,000.00
No. 6	Dec. 1, 1910	.50	750,000.00
No. 7	Mar. 15, 1911	.50	750,000.00
			7,500,000.00

Total disbursements	$7,874,303.05
Balance of undistributed income Dec. 31, 1911	1,572,073.06

TABLE A.—*Shipments and revenue under "old leases."*

Year.	Tons mined.	Average royalty.	Revenue.
		Cents.	
1907	2,902,880	13.9940	$406,229.56
1908	1,294,976	19.1548	248,059.37
1909	2,964,051	14.9664	443,611.21
1910	2,993,893	15.2002	455,078.47
1911	1,758,182	17.3525	305,089.00
Total	11,913,982	.....	1,858,058.61

Minimums receivable under "old leases."

Mine.	Annual min. tons.	Royalty rate.	Minimum royalty.
		Cents.	
Mahoning	300,000	27½–12½	$82,500.00
Stevenson	200,000	20 –12½	40,000.00
Utica	100,000	20 –12½	20,000.00
Leetonia	75,000	36	27,000.00
Sweeney	37,500	25	9,375.00
	712,500	.....	178,875.00

Royalty rates under leases on the Mahoning, Stevenson, and Utica mines are on a sliding scale, according to amount of annual shipments. The Mahoning obtains the minimum rate named on an output in any one year of 1,500,000 tons, the Stevenson and Utica on an output of 500,000 tons, respectively. The interest of "the companies" in the Leetonia and Sweeney mines and in 40 acres in the Stevenson mine is an undivided one-half. The annual minimum tonnages in these mines, as above stated, show the one-half interest of "the companies" only. All of these mines have been opened and are regular shippers except the Sweeney.

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TABLE B.—*Operations under Great Western Mining Co. lease.*

Year.	Tons shipped.	Average per cent iron.	Average royalty.[1]	Royalty received, including freight.	Deficiency minimum royalty.		
					Tons.	Rate.	Amount.
1907	137,270	58.7641	$0.838726	$225,020.07			
1908	508	65.1498	1.189295	1,005.95	1,499,492	88.4	$1,325,550.97
1909	41,624	56.4001	.792687	32,994.90	2,208,376	91.8	2,027,289.07
1910	2,046,970	56.9633	.853830	2,854,379.52	847,024	95.2	806,366.48
1910	106,007	−49.0000	.300000	110,378.95			
1911	5,344,078	58.2148	.945308	[2] 8,591,830.70			[3] 1,325,550.97
1911	155,681	−49.0000	.300000	155,450.51			[4] 140,502.05
	7,570,450	57.8769	.917818	11,705,231.04			2,693,153.50
	261,688	−49.0000	.300000	265,829.46			
	7,832,138			11,971,060.50			
Interest earned on unapportioned minimums							156,184.24
Total royalty and freight, as above							11,971,060.50
Grand total receipts from Great Western Mining Co., with interest earnings							14,820,398.24

[1] The schedule price of ore shipped by the Great Western Mining Co., when hauled by the Great Northern Railway Co., includes delivery at Lake Superior, the rail freight being paid by the lessor companies. This freight has been 80 cents per ton, but on Dec. 1, 1911, was reduced to 60 cents per ton. No ore was shipped during the month of December, 1911. For convenience, the royalty rates above shown are net rates—that is, the royalty rate after deduction of freight.

[2] This amount includes, in addition to payments at the regular schedule rates for the required minimum shipments for the year 1911, the entire amount of the 1908 deficiency minimum and a portion of the 1909 deficiency minimum payments, which were absorbed by shipments of the Great Western Mining Co. during 1911, as shown by ([3]) and ([4]), together with $154,187.49 interest earned thereon.

[3] 1908 deficiency minimum, absorbed by shipments.

[4] Portion of 1909 deficiency minimum, absorbed by shipments.

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